

DRAFT ANNUAL BUDGET OF

UMTSHEZI

MUNICIPALITY



2013/14 TO 2015/16

MEDIUM TERM REVENUE AND

EXPENDITURE FORECASTS

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Abbreviations and Acronyms

AMR	Automated Meter Reading	LED	Local Economic Development
ASGISA	Accelerated and Shared Growth Initiative	MEC	Member of the Executive Committee
BPC	Budget Planning Committee	MFMA	Municipal Financial Management Act Programme
CBD	Central Business District	MIG	Municipal Infrastructure Grant
CFO	Chief Financial Officer	MMC	Member of Mayoral Committee
CM	Municipality Manager	MPRA	Municipal Properties Rates Act
CPI	Consumer Price Index	MSA	Municipal Systems Act
CRRF	Capital Replacement Reserve Fund	MTEF	Medium-term Expenditure Framework
DBSA	Development Bank of South Africa	MTREF	Medium-term Revenue and Expenditure Framework
DoRA	Division of Revenue Act	NERSA	National Electricity Regulator South Africa
DWA	Department of Water Affairs	NGO	Non-Governmental organisations
EE	Employment Equity	NKPIs	National Key Performance Indicators
EEDSM	Energy Efficiency Demand Side Management	OHS	Occupational Health and Safety
EM	Executive Mayor	OP	Operational Plan
FBS	Free basic services	PBO	Public Benefit Organisations
GAMAP	Generally Accepted Municipal Accounting Practice	PHC	Provincial Health Care
GDP	Gross domestic product	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kℓ	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		
ℓ	litre		

Part 1 – Annual Budget

1.1 Mayor's Report

The Minister of Finance had stated in his budget speech in February 2013 that although the world economy remained troubled, there were signs of improvement in that economy and in line with this improvement, that South Africa's economy had continued to grow, albeit at a slower pace than what was expected in the previous year. It was also stated that although South Africa's economic outlook was improving, we "require to actively pursue a different trajectory if we are to address the challenges ahead." This would mean that all sectors of society would have to work together to achieve this.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the uMtshezi Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

The 2013/2014 Medium Term Revenue and Expenditure Framework and its related policies has been compiled in compliance with the Municipal Finance Management Act No. 56 of 2003 and the Municipal Budget and Reporting Regulations which are aimed at improving credibility, sustainability, transparency, accuracy and reliability of municipal budgets.

The objective of the budget formats reform is to:

1. Ensure that the municipal budget and financial reporting formats support the other financial management reforms introduced by the MFMA;
2. Improve the local governments spheres' ability to deliver basic services to all by-
 - addressing issues of financial sustainability, and
 - facilitating informed policy choices and medium term planning of service delivery by requiring targets to be aligned to achieve backlog elimination.

The draft 2013/14 MTREF has been prepared using realistically anticipated estimates and are guided by the guidelines as per the National Treasury budget circulars. The main aim of the budget is SERVICE DELIVERY. It is also aimed at ensuring that services are effectively and efficiently rendered in the most economical way.

A brief overview of the draft budget is as follows:

Total operating income – R283,514,000

Total Operating expenditure – R313,927,000

Operating Deficit – R30,412,000

Capital Transfers – R27,161,000

Contributed Assets – R15,820,000

Capital Budget – R43,671,000

The capital budget would be financed from capital grants received from the Municipal Infrastructure Grant, Neighbourhood Development Grant, INEP, External ILans and a small portion from council funding.

The operating budget is extremely constrained and focuses on service delivery. The reason for this, is the limiting income realistically anticipated.

Ngokubambisana singakha imiphakathi engcono. Let us work together to build a better community of Umtshezi thus achieving a better life for all.

HIS WORSHIP THE MAYOR

COUNCILLOR B.D DLAMINI

1.2 Council Resolutions

On the 26th of March 2013 the Council of Umtshezi Municipality Local Municipality will meet in the Council Chambers to consider the approval of the draft annual budget of the municipality for the financial year 2013/14. It is recommended that the Council approve and adopt the following resolutions:

1. The Council of Umtshezi Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves:
 - 1.1. The draft annual budget of the municipality for the financial year 2013/14 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

- 1.2.1. Budgeted Financial Position;
 - 1.2.2. Budgeted Cash Flows;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 1.2.4. Asset management; and
 - 1.2.5. Basic service delivery measurement.
2. The Council of Umtshezi Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves:
 - 2.1. the draft tariffs – as set out in Annexure A,
 - 2.2. the draft tariffs for electricity – as set out in Annexure A
 - 2.3. the draft tariffs for solid waste services – as set out in Annexure A
3. The Council of Umtshezi Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves the draft tariffs for other services, as set out in Annexures A.
4. To give proper effect to the municipality's annual budget, the Council of Umtshezi Local Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

S21 of the Municipal Finance Management Act deals with Municipal Budgets and describes the entire budgeting process. The Mayor is tasked with co-ordinating the processes for preparing the budget, reviewing the Integrated Development Plan (IDP) and budget related policies. The Accounting Officer, as per S68 of the MFMA, is required to assist the Mayor in developing and implementing the budgetary process.

When drafting this budget, consideration was given to Section 18 of the MFMA which states that:

"An annual budget may only be funded from-

- a) realistically anticipated revenues to be collected;
 - b) cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
 - c) borrowed funds, but only for the capital budget referred to in section 17(2)
- (2) Revenue projections in the budget must be realistic, taking into account-
- a) projected revenue for the current year based on collection levels to date; and
 - b) actual revenue collected in previous financial years."

Great emphasis was placed in ensuring that the budget is realistically funded. A complete analysis of the various financial scenarios and outcomes was done and the best viable solution sought.

In addition to the budget, an amendment to the Municipal Systems Act (MSA) and Chapter 4 of the MFMA require that the Integrated Development Plan (IDP) be adopted at the same time of adopting the budget. The IDP informs the budget and their simultaneous adoption will ensure that the budget is properly aligned to the IDP and ensure that planned projects are credible and that the budgets are realistic and implementable. This budget was drafted in conjunction with the IDP.

The draft annual budget was prepared in accordance to the National Treasury's content and format as contained in circular 66. The two concepts considered were:

- 1) that the budget must be funded according to S18 of the MFMA (as mentioned above), and
- 2) that the budget must be credible.

A credible budget is described as one that:

- Funds only activities consistent with the draft IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality
- Is achievable in terms of agreed service delivery and performance targets
- Contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions
- Does not jeopardize the financial viability of the municipality (ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term); and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

As mentioned above, the budget was also compiled taking into consideration the guidelines outlined in MFMA Municipal Budget Circular No 58 for the 2013/14 financial year.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

The main challenges experienced during the compilation of the 2013/14 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;

- Aging and poorly maintained roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2013/14 MTREF process; and
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2013/14 MTREF:

- The 2012/13 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2013/14 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2013/14 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2013/14 MTREF

R thousand	Adjustments Budget 2012/2013	Budget year 2013/2014	Budget Year +1 2014/2015	Budget Year +2 2015/2016
Total Operating Revenue	259,707	283,514	308,321	342,966
Total Operating Expenditure	294,459	313,927	338,775	362,825
Surplus / (Deficit)	(34,752)	(30,412)	(30,453)	(19,860)
Total Capital Transfers	33,737	27,161	19,299	18,420
Contributed Assets	4,572	15,820	14,071	14,835
Surplus / (Deficit) for the year	3,557	12,569	2,917	13,395

Total operating revenue has grown by 9,17 per cent or R23,807 million for the 2013/14 financial year when compared to the 2011/12 Adjustments Budget. This is mainly due to the proposed increase of 9% for electricity revenue. For the two outer years, operational revenue will increase by 8,75 and 11.24 per cent respectively.

Total operating expenditure for the 2013/14 financial year has been appropriated at R313,927 million and translates into a budgeted deficit (non-cash-flow deficit) of R30,412 million. This non-cash flow deficit is attributed to Depreciation of R35million and Provisions of R12million. When compared to the 2012/13 Adjustments Budget, operational expenditure has grown by 6.61 per cent in the 2013/14 budget and by 7.92 and 7.09 per cent for each of the respective outer years of the MTREF.

1.4 Operating Revenue Framework

For Umtshezi to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 90 per cent annual collection rate for property rates and other key service charges and a 98 per cent collection rate for electricity revenue;

- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (A9ct 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2013/14 MTREF (classified by main revenue source):

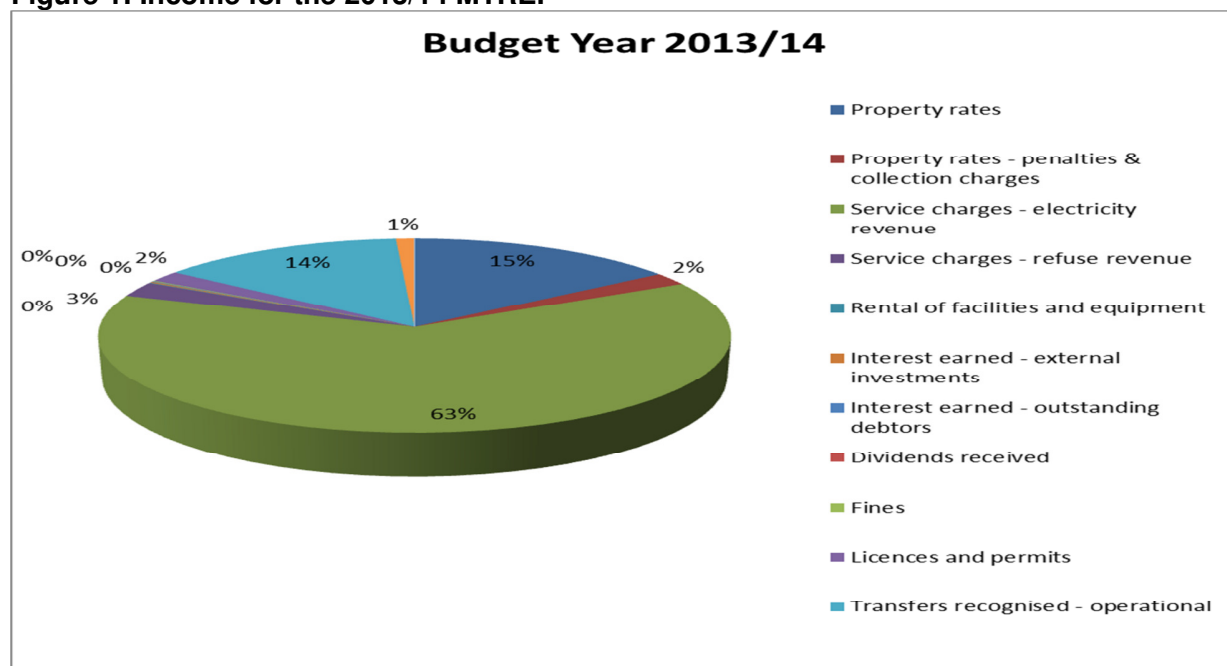
Table 2 Summary of revenue classified by main revenue source

Description				Current Year 2012/13				2013/14 Medium Term Revenue and Expenditure Framework		
				Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand	2009/10	2010/11	2011/12							
Revenue By Source										
Property rates	29,164	33,739	35,063	52,050	41,050	41,050	41,050	43,102	45,258	47,521
Property rates - penalties & collection charges	5,008	6,239	5,732	5,789	5,789	5,789	5,789	5,847	5,905	5,964
Service charges - electricity revenue	96,669	121,165	143,741	163,610	163,167	163,167	163,167	179,083	195,200	212,768
Service charges - refuse revenue	5,055	5,348	5,535	8,718	6,718	6,718	6,718	7,054	7,407	7,777
Rental of facilities and equipment	748	408	167	177	222	222	222	233	245	2,567
Interest earned - external investments	0	0	0	0	0	0	0	500	525	552
Interest earned - outstanding debtors	333	1,069	249	264	264	264	264	277	280	283
Dividends received										
Fines	345	201	299	302	302	302	302	317	332	349
Licences and permits	4,010	4,239	4,589	4,818	4,818	4,818	4,818	5,132	5,389	5,658
Transfers recognised - operational	20,894	24,727	29,480	33,078	34,519	34,519	34,519	39,040	44,472	55,816
Other revenue	2,371	2,469	2,011	2,132	2,858	2,858	2,858	2,928	3,309	3,711
Total Revenue (excluding capital transfers and contributions)	164,597	199,604	226,866	270,938	259,707	259,707	259,707	283,514	308,321	342,966

Table 3 Percentage growth in revenue by main revenue source

Description			2013/14 Medium Term Revenue and Expenditure Framework					
	Adjusted Budget	%	Budget Year 2013/14	% 2013/2014	Budget Year +1 2014/15	% 2014/2015	Budget Year +2 2015/2016	% 2015/2016
R thousand								
Revenue By Source								
Property rates	41,050	17.07%	43,102	5.00%	45,258	5.00%	47,521	5.00%
Property rates - penalties & collection charges	5,789	0.99%	5,847	0	5,905	0.99%	5,964	0.99%
Service charges - electricity revenue	163,167	13.51%	179,083	0	195,200	9.00%	212,768	9.00%
Service charges - refuse revenue	6,718	21.37%	7,054	0	7,407	5.00%	7,777	5.00%
Rental of facilities and equipment	222	32.93%	233	0	245	5.15%	2,567	5.15%
Interest earned - external investments	0	0.00%	500	#DIV/0!	525	5.00%	552	5.00%
Interest earned - outstanding debtors	264	6.02%	277	0	280	1.08%	283	1.08%
Dividends received				0		0		0
Fines	302	1.00%	317	0	332	4.73%	349	4.73%
Licences and permits	4,818	4.99%	5,132	0	5,389	5.01%	5,658	5.01%
Transfers recognised - operational	34,519	17.09%	39,040	0	44,472	13.91%	55,816	13.91%
Other revenue	2,858	42.12%	2,928	0	3,309	13.01%	3,711	13.01%
Total Revenue (excluding capital transfers and contributions)	259,707	14.48%	283,514	0	308,321	8.75%	342,966	8.75%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Figure 1: Income for the 2013/14 MTREF

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2012/13 financial year, revenue from rates and services charges is estimated to total R211 million or 81.22 per cent of total income. This increases to R229 million, R248 million and R268 million in the respective financial years of the MTREF.

Electricity revenue is that largest revenue source for the municipality. It comprises 63% of total operating income. It is proposed that the tariffs for electricity increase by 9% year on year in order to achieve a gross percentage that is in line with the NERSA guideline of 30%. The current gross percentage is 18,9%. This will increase to 21,9% in 2013/14 if the increases for the tariffs are 9% as proposed.

Property rates is the second largest revenue source totalling 15 per cent or R43 million rand of total operating revenue and increases to R47 million by 2015/16. The third largest source of income is income from operational grants that have been gazetted as per the Division of Revenue Act. These operating grants will equal R39 million for 2013/2014. The other item contributing to revenue is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, rental of facilities and other sundry income. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R39.040 million in the 2013/14 financial year and steadily increases to R55.816 million by 2015/16. Note that the year-on-year growth for the 2013/14 financial year is 13,09 per cent and 13.9 and 25.51 per cent in the two outer years. The following table gives a breakdown of the various operating grants and capital subsidies allocated to the municipality over the medium term:

Table 4 Operating and Capital Grant Receipts

DETAILS	FUNDING	2013/2014	2014/2015	2015/2016
R				
CAPITAL GRANTS				
NDPG	National Government	2,000,000	2,000,000	0
Municipal Infrastructure Grant	National Government	15,161,000	17,299,000	18,420,000
INEP	National Government	10,000,000	0	0
TOTAL CAPITAL GRANTS		27,161,000	19,299,000	18,420,000
OPERATING GRANTS				
Equitable Share	National Government	30,845,000	36,441,000	47,171,000
Councillor and Ward Committee Allowance	National Government	2,351,000	2,962,000	3,074,000
Finance Management Grant	National Government	1,550,000	1,600,000	1,650,000
Municipal Systems Infrastructure Grant	National Government	890,000	934,000	967,000
Extended Public Works Programme	National Government	1,000,000	0	0
Community Participation in IDP's	Provincial Government	0	0	300,000
Community Library Services	Provincial Government	240,000	252,000	265,000
Museum	Provincial Government	286,000	302,000	317,000
Provincialisation of Libraries	Provincial Government	1,878,000	1,981,000	2,072,000
TOTAL OPERATING GRANT		39,040,000.00	44,472,000.00	55,816,000.00
ALLOCATIONS IN KIND				
INEP	National Government	14,820,000.00	13,071,000.00	13,835,000.00
NDPG	National Government	1,000,000.00	1,000,000.00	1,000,000.00
TOTAL CAPITAL FUNDED		15,820,000.00	14,071,000.00	14,835,000.00

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

The percentage increases of the Eskom bulk electricity tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

In terms of the Municipal Property Rates Act, property valuations need to be assessed every four to five years for inclusion in the general valuation roll. There have been no major changes to the rates tariffs for 2013/14 due to the fact that the property values in the draft valuation roll have increased by more than 10 per cent. The categories of rate-able properties for the purposes of levying rates and the proposed rates for the 2013/14 financial year is contained in the table below.

Table 5 Comparison of proposed rates to be levied for the 2013/14 financial year

RATES RANDAGE

Category	Impermissible	Rebate	Current Year Randage 2012/13	Proposed Randage 2013/14
Residential	30 000	55.837%	0.018895	0.018895
Residential - Hospitality	30 000	55.837%	0.018895	0.018895

Commercial	-	As Per Table	0.03726	0.03726
Agriculture	-	25% (0% - 2013)	0.0025	0.0025
Public Service Infrastructure	-	First 30% non rated	0.002086	0.002086
State Owned	-	-	0.03119	0.03119
Industrial	-	As Per Table	0.03637	0.03637
Public Benefit Organisation Property	-	None	0.002068	0.002068
Recreational Clubs	-	30%	0.0018895	0.018895

REBATES FOR COMMERCIAL PROPERTIES

Value of Property	Rebate
0-1.5 million	35.660%
>1.5 million – 2.5 million	25.685%
>2.5 million – 7.5 million	29.635%
>7.5 million -10 million	23.650%
>10 million	45.121%

REBATES FOR INDUSTRIAL PROPERTIES

VALUE OF PROPERTY	REBATE
0-1 Million	17.286%
>1-2 million	18.234%
>2-5 million	45.405%
>5-36 million	41.470%
>36 million	67.692%

ADDITIONAL RELIEF

USAGE/OWNER	ADDITIONAL REBATE
BED & BREAKFAST	25%
BED& BREAKFAST(NON RESIDENT)	20%
PENSIONER	12.50%

1.4.2 Sale of Electricity and Impact of Tariff Increases

Considering the Eskom increases and the current gross profit percentages for the electricity business unit, the consumer tariff is proposed to be increase to result in an overall increase in electricity income of 9 per cent from 1 July 2012. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. This was implemented and will continue in the next few years. The effect of the inclining block tariffs is that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users. The Municipality has entered into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those previously implemented by the Municipality. Until the discussions are concluded, the Municipality will maintain the current stepped structure of its electricity tariffs.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. Most of the outer and inner Municipality reticulation network was designed or strengthened many years ago with an expected 20-25 year life-expectancy. The upgrading of the Municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. It is therefore proposed that the taking up of loans as a strategy for funding of the infrastructure be considered and approved to spread the burden over the life span of the assets.

1.4.3 Waste Removal and Impact of Tariff Increases

A 5 per cent increase in the waste removal tariff is proposed from 1 July 2013.

1.4.4 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 7.9 and 9 per cent, with the increase for indigent households closer to 9 per cent. This is because indigent consumers are only billed for electricity consumption in excess of 50kWh and are exempted from rates and refuse charges.

Table 6 MBRR Table SA14 – Household bills

	Audited	Audited	Audited	Current Year 2012/13			2013/14 Medium Term Revenue and Expenditure Framework			
				Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14 % Incr	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Description	2009/10	2010/11	2011/12							
Rand/cent										
Monthly Account for Household - 'Middle Income Range'										
Rates and services charges:										
Property rates	489	528	570.37	615.99	615.99	615.99	5.00%	646.79	679.12	713.08
Electricity: Consumption	985	1,270.00	1,562.10	1,772.98	1,772.98	1,772.98	9.00%	1,932.55	2,106.48	2,296.07
Refuse removal	57	60.42	64.04	67.88	67.88	67.88	5.00%	71.28	74.84	78.58
sub-total	1,531.00	1,858.42	2,196.51	2,456.85	2,456.85	2,456.85	7.90%	2,650.62	2,860.44	3,087.73
Total large household bill:	1,531.00	1,858.42	2,196.51	2,456.85	2,456.85	2,456.85	7.90%	2,650.62	2,860.44	3,087.73
% increase/-decrease		21.40%	18.20%	11.90%	—	—		7.90%	7.90%	7.90%
Monthly Account for Household - 'Affordable Range'										
Rates and services charges:										
Property rates	106.87	115.42	124.65	134.62	134.62	134.62	5.00%	141.35	148.42	155.84
Electricity: Consumption	391.91	505.18	621.37	705.25	705.25	705.25	9.00%	768.72	837.91	913.32
Refuse removal	57	60.42	64.04	67.88	67.88	67.88	5.00%	71.27	74.84	78.58
sub-total	555.78	681.02	810.06	907.75	907.75	907.75	8.10%	981.34	1,061.17	1,147.74
Total small household bill:	555.78	681.02	810.06	907.75	907.75	907.75	8.10%	981.34	1,061.17	1,147.74
% increase/-decrease		22.50%	18.90%	12.10%	—	—		8.10%	8.10%	8.20%
			-0.16	-0.36	-1	-				
Monthly Account for Household - 'Indigent' Household receiving free basic services										
Rates and services charges:										
Property rates	65.33	70.55	76.19	—	—	—	5.00%	—	—	—
Electricity: Consumption	343.11	442.27	543.99	617.43	617.43	617.43	9.00%	672.99	706.65	770.24
Refuse removal	—	—	—	—	—	—	5.00%	—	—	—
sub-total	408.44	512.82	620.18	617.43	617.43	617.43	9.00%	672.99	706.65	770.24
Total small household bill:	408.44	512.82	620.18	617.43	617.43	617.43	9.00%	672.99	706.65	770.24
% increase/-decrease		25.60%	20.90%	-0.40%	—	—		9.00%	5.00%	9.00%

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2013/14 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;

- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan, no budget*. If there is no business plan, no funding allocation can be made.

The following table is a high level summary of the 2013/14 budget and MTREF (classified per main type of operating expenditure):

Table 7 Summary of operating expenditure by standard classification item

	Audited	Audited	Audited	Current Year 2013/14				2013/14 Medium Term Revenue & Expenditure Framework		
Description	2009/10	2010/11	2011/12	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R Thousaand										
Expenditure By Type										
Employee related costs	47,352	50,340	56,157	59,526	59,526	59,526	59,526	64,015	67,856	71,926
Remuneration of council	3,843	3,673	4,691	4,926	4,926	4,926	4,926	5,268	5,531	5,808
Debt impairment	10,489	2,789	12,800	10,000	10,000	10,000	10,000	12,000	12,000	12,000
Depreciation & asset im	18,576	38,677	31,686	35,000	35,000	35,000	35,000	35,000	40,000	45,000
Finance charges	915	1,012	2,050	2,153	3,153	3,153	3,153	3,494	3,400	3,300
Bulk purchases	74,023	92,582	121,948	132,315	132,315	132,315	132,315	139,875	152,464	166,185
Other materials	–	3,142	–	7,304	9,035	9,035	9,035	11,428	11,999	12,599
Contracted services	2,477	2,987	5,925	6,518	7,990	7,990	7,990	8,800	9,683	8,030
Transfers and grants	–	–	–	22,669	6,669	6,669	6,669	7,069	7,776	8,553
Other expenditure	27,594	19,922	29,609	21,850	25,845	25,845	25,845	26,977	28,065	29,424
Loss on disposal of PPE	134	33	–	–	–	–	–	–	–	–
Total Expenditure	185,403	215,157	264,866	302,261	294,459	294,459	294,459	313,927	338,775	362,825

The budgeted allocation for employee related costs for the 2013/14 financial year totals R64 million, which equals 20 per cent of the total operating expenditure. Circular 66 guidelines have been implemented with regards to the increase in salaries and that has been set at 6.95 percent for the 2013/2014 financial year. The effective increase of salaries is 7.54 percent due to the fact that staff would no longer obtain cellphone contracts from the municipality, but would receive a cellphone allowance instead.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R35 million for the 2013/14 financial year and equates to 11.15 per cent of the total operating expenditure. Note that the

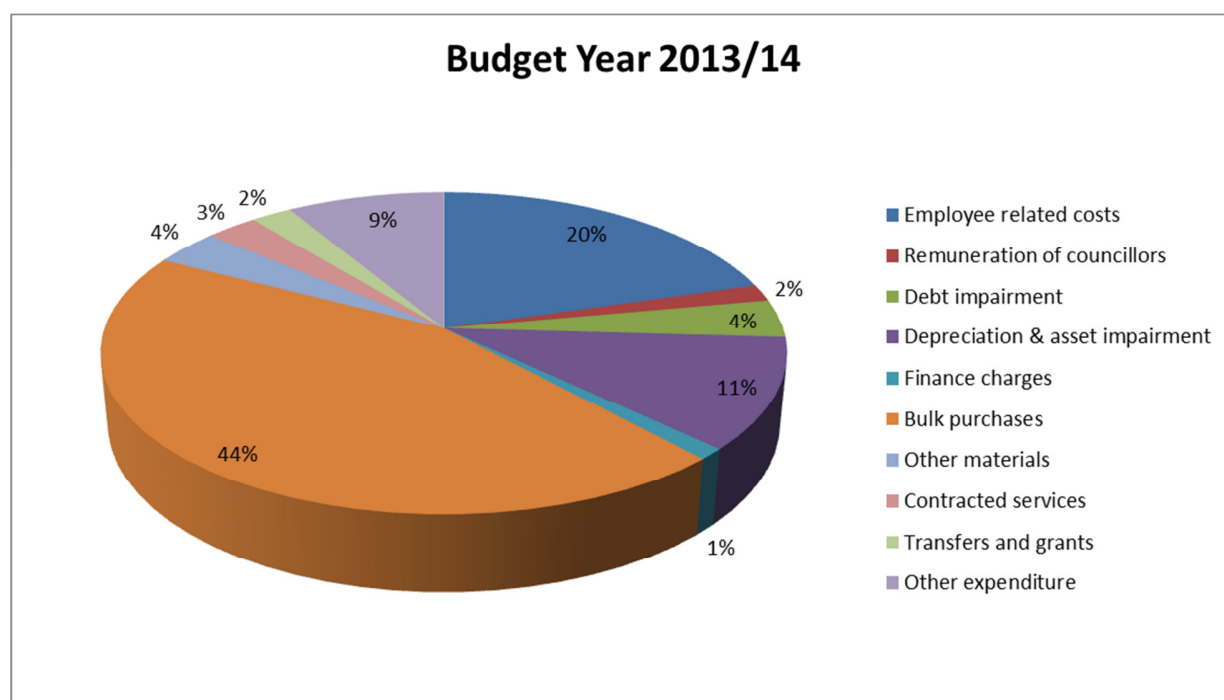
implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase materials for maintenance. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure.

The following figure gives a breakdown of the main expenditure categories for the 2013/14 financial year.

Figure 2 Main operational expenditure categories for the 2013/14 financial year



1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2013/14 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

Table 8 Operational repairs and maintenance

	Audited	Audited	Audited	Current Year 2013/14				2013/14 Medium Term Revenue & Expenditure Framework		
Description	2009/10	2010/11	2011/12	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Repairs and Maintenance by Expenditure Item										
Employee related costs	37,882	40,272	44,458	47,621	47,621	47,621	47,621	50,930	53,985	56,685
Other materials	5,976	1,777	6,338	7,304	9,035	9,035	9,035	11,428	11,999	12,599
Contracted Services	1,245	1,365	1,800	2,500	2,500	2,500	2,500	2,625	2,756	2,894
Total Repairs and Maintenance Expenditure	45,103	43,414	52,596	57,425	59,156	59,156	59,156	64,983	68,740	72,178

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 4000 or more indigent households during the 2013/14 financial year, a process reviewed every two years. The estimates for the 2013/2014 MTREF for free basic services is seen in table 7 under the heading transfers and grants and are estimated to be R8.8million for the 2013/2014 financial year. It is made up of the 50kWh free electricity and a refuse rebates given to indigent consumers as well as a rates rebates (R15,000 threshold).

1.6 Capital expenditure

Capital expenditure for the next three years is funded by capital grants, external loans and a small portion of council funding. This is due to significant constraints of council funds as highlighted in the sections above and the significant impact that the increase in the bulk electricity tariffs had had on the cashflow of the municipality. The capital grants to be received are highlighted in the executive summary above.

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been considered and this expenditure has been factored into the two outer years of the operational budget.

1.7 Annual Budget tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2013/2014 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes.

Table 9 MBRR Table A1 - Budget Summary

Description	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousands										
Financial Performance										
Property rates	34,172	39,978	40,795	57,839	46,839	46,839	46,839	48,949	51,163	53,485
Service charges	101,724	126,513	149,276	172,328	169,885	169,885	169,885	186,137	202,607	220,545
Investment revenue	-	-	-	-	-	-	-	500	525	552
Transfers recognised - operational	20,894	24,727	29,480	33,078	34,519	34,519	34,519	39,040	44,472	55,816
Other own revenue	7,807	8,386	7,315	7,693	8,464	8,464	8,464	8,887	9,555	12,568
Total Revenue (excluding capital transfers and contributions)	164,597	199,604	228,866	270,938	259,707	259,707	259,707	283,514	308,321	342,966
Employee costs	47,352	50,340	56,157	59,526	59,526	59,526	59,526	64,015	67,856	71,926
Remuneration of councillors	3,843	3,673	4,691	4,926	4,926	4,926	4,926	5,268	5,531	5,808
Depreciation & asset impairment	18,576	38,677	31,686	35,000	35,000	35,000	35,000	35,000	40,000	45,000
Finance charges	915	1,012	2,050	2,153	3,153	3,153	3,153	3,494	3,400	3,300
Materials and bulk purchases	74,023	95,724	121,948	139,619	141,350	141,350	141,350	151,303	164,463	178,784
Transfers and grants	-	-	-	22,669	6,669	6,669	6,669	7,069	7,776	8,553
Other expenditure	40,694	25,731	48,334	38,368	43,835	43,835	43,835	47,777	49,749	49,454
Total Expenditure	185,403	215,157	264,866	302,261	294,459	294,459	294,459	313,927	338,775	362,825
Surplus/(Deficit)	(20,806)	(15,553)	(38,000)	(31,323)	(34,752)	(34,752)	(34,752)	(30,412)	(30,453)	(19,860)
Transfers recognised - capital	23,055	20,321	29,830	16,709	33,737	33,737	33,737	27,161	19,299	18,420
Contributions recognised - capital & contributed	-	-	-	11,241	4,572	4,572	4,572	15,820	14,071	14,835
Surplus/(Deficit) after capital transfers & contributions	2,249	4,768	(8,170)	(3,373)	3,557	3,557	3,557	12,569	2,917	13,395
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	2,249	4,768	(8,170)	(3,373)	3,557	3,557	3,557	12,569	2,917	13,395
Capital expenditure & funds sources										
Capital expenditure	30,065	32,385	39,111	24,409	43,927	43,927	43,927	43,671	22,823	23,310
Transfers recognised - capital	27,619	20,179	29,830	16,709	33,737	33,737	33,737	27,161	19,299	18,420
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	4,249	4,928	7,200	7,600	7,600	7,600	12,460	-	-
Internally generated funds	2,446	7,957	4,353	500	2,590	2,590	2,590	4,050	3,524	4,890
Total sources of capital funds	30,065	32,385	39,111	24,409	43,927	43,927	43,927	43,671	22,823	23,310
Financial position										
Total current assets	55,787	70,579	57,869	41,610	41,570	41,570	41,570	65,287	71,501	78,851
Total non current assets	633,440	643,543	662,135	654,589	654,989	654,989	654,989	659,686	642,364	640,369
Total current liabilities	36,043	37,400	60,383	47,518	47,618	47,618	47,618	49,466	40,159	38,837
Total non current liabilities	5,600	18,497	14,356	16,500	16,800	16,800	16,800	30,797	26,079	19,361
Community wealth/Equity	647,584	658,225	645,265	632,181	632,141	632,141	632,141	644,710	647,627	661,022
Cash flows										
Net cash from (used) operating	16,544	50,565	38,627	22,229	39,257	39,257	39,257	42,045	35,844	37,368
Net cash from (used) investing	(25,239)	(38,665)	(39,479)	(23,913)	(41,341)	(41,341)	(41,341)	(43,671)	(22,823)	(23,310)
Net cash from (used) financing	402	3,187	4,277	2,000	2,360	2,360	2,360	3,742	(8,718)	(8,718)
Cash/cash equivalents at the year end	(5,146)	9,942	13,366	2,587	2,547	2,547	2,547	15,482	19,785	25,125
Cash backing/surplus reconciliation										
Cash and investments available	(4,892)	15,639	20,246	3,687	3,647	3,647	3,647	16,778	21,181	26,721
Application of cash and investments	(33,650)	(32,932)	11,174	(1,173)	(3,052)	(3,052)	(3,052)	(21,032)	(32,579)	(36,086)
Balance - surplus (shortfall)	28,758	48,571	9,072	4,860	6,699	6,699	6,699	37,810	53,760	62,807
Asset management										
Asset register summary (WDV)	632,536	639,743	661,079	654,029	654,429	654,429	659,140	659,140	641,963	640,273
Depreciation & asset impairment	18,576	38,677	31,686	35,000	35,000	35,000	35,000	35,000	40,000	45,000
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	45,103	43,414	52,596	57,425	59,156	59,156	63,983	63,983	68,740	72,178
Free services										
Cost of Free Basic Services provided	4,880	6,208	7,204	8,487	8,487	8,487	8,487	8,487	8,487	8,487
Revenue cost of free services provided	27,788	46,211	48,198	52,270	52,270	52,270	52,270	52,270	52,270	52,270
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	5	5	5	6	6	6	6	6	6	6

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is negative over the MTREF (but all efforts have been made to ensure that it is not a cash flow deficit)
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
4. The Cash backing/surplus reconciliation shows that the budget has been funded and that this situation is improving year on year resulting in increased working capital.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 10 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue - Standard	1									
Governance and administration		65,968	77,782	74,372	91,478	80,566	80,566	89,208	97,127	114,413
Executive and council		826	889	1,123	2,100	2,200	2,200	2,351	2,962	3,074
Budget and treasury office		64,873	76,730	73,171	89,378	78,101	78,101	86,579	93,873	111,032
Corporate services		269	163	78	—	265	265	278	292	307
Community and public safety		2,490	2,338	1,597	5,573	3,085	3,085	3,037	3,198	3,350
Community and social services		481	189	1,286	1,311	1,203	1,203	2,543	2,680	2,806
Sport and recreation		37	—	—	—	—	—	—	—	—
Public safety		398	201	311	302	469	469	494	518	544
Housing		—	—	—	3,960	—	—	—	—	—
Health		1,574	1,948	—	—	1,413	1,413	—	—	—
Economic and environmental services		16,488	12,111	26,429	17,967	39,436	39,436	23,293	25,688	24,078
Planning and development		628	315	11,037	400	21,203	21,203	3,000	3,000	—
Road transport		15,860	11,796	15,392	17,567	18,233	18,233	20,293	22,688	24,078
Environmental protection		—	—	—	—	—	—	—	—	—
Trading services		102,706	127,694	154,298	183,870	174,930	174,929	210,957	215,678	234,380
Electricity		97,646	122,343	148,761	175,152	168,209	168,209	203,903	208,271	226,603
Water		—	—	—	—	—	—	—	—	—
Waste water management		—	—	—	—	—	—	—	—	—
Waste management		5,061	5,351	5,537	8,718	6,721	6,720	7,054	7,407	7,777
Other	4	—	—	—	—	—	—	—	—	—
Total Revenue - Standard	2	187,652	219,925	256,696	298,888	298,016	298,016	326,495	341,691	376,221
Expenditure - Standard										
Governance and administration		57,262	35,990	52,690	101,096	67,749	67,749	74,706	81,909	87,008
Executive and council		9,384	10,266	2,744	6,035	15,247	15,247	6,617	6,961	7,323
Budget and treasury office		29,023	19,774	36,727	84,017	44,909	44,909	59,289	65,265	71,655
Corporate services		18,855	5,950	13,219	11,044	7,593	7,593	8,800	9,683	8,030
Community and public safety		11,006	8,976	7,086	8,906	12,187	12,187	9,643	10,140	10,647
Community and social services		3,455	3,258	1,696	2,546	3,259	3,259	3,423	3,609	3,789
Sport and recreation		—	37	65	69	27	27	28	29	31
Public safety		4,994	2,800	2,199	2,331	5,898	5,898	6,192	6,502	6,827
Housing		32	—	—	3,960	—	—	—	—	—
Health		2,525	2,881	3,126	—	3,003	3,003	—	—	—
Economic and environmental services		25,070	23,311	54,195	18,020	51,331	51,331	55,912	59,268	62,822
Planning and development		12,110	12,230	30,937	—	24,949	24,949	27,832	29,502	31,272
Road transport		12,960	11,081	23,258	18,020	26,382	26,382	28,080	29,766	31,550
Environmental protection		—	—	—	—	—	—	—	—	—
Trading services		92,044	146,880	150,525	173,847	162,874	162,874	173,331	187,106	201,979
Electricity		84,960	139,200	142,682	165,534	154,782	154,782	168,712	182,209	196,789
Water		—	—	—	—	—	—	—	—	—
Waste water management		—	—	—	—	—	—	—	—	—
Waste management		7,084	7,680	7,843	8,313	8,092	8,092	4,619	4,897	5,190
Other	4	21	—	370	392	319	319	335	352	369
Total Expenditure - Standard	3	185,403	215,157	264,866	302,261	294,459	294,459	313,927	338,775	362,825
Surplus/(Deficit) for the year		2,249	4,768	(8,170)	(3,373)	3,557	3,557	12,569	2,917	13,395

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for the Electricity function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Governance and Administration.

Table 11 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand										
Revenue by Vote	1									
Vote 1 - Corporate Service		5,799	5,559	7,323	8,642	9,137	9,137	10,703	11,742	12,286
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 3 - Finance and budget		64,873	76,729	73,968	92,778	78,101	78,101	93,528	101,170	118,691
Vote 4 - Civil Services		11,852	7,558	10,784	12,932	13,233	13,234	15,161	17,299	18,420
Vote 5 - Planning,Economic,and Community Service		7,485	7,736	16,656	9,384	29,339	29,338	3,200	3,209	221
Vote 6 - Electrical Service		97,643	122,343	147,965	175,152	168,207	168,207	203,903	208,271	226,603
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	187,652	219,925	256,696	298,888	298,016	298,016	326,495	341,691	376,221
Expenditure by Vote to be appropriated	1									
Vote 1 - Corporate Service		35,624	23,057	25,894	20,422	30,513	30,513	23,537	25,251	24,477
Vote 2 - Municipal Manager		1,082	1,002	1,048	1,110	1,261	1,261	1,349	1,430	1,515
Vote 3 - Finance and budget		29,023	19,774	36,728	80,863	44,909	44,909	56,623	62,357	68,471
Vote 4 - Civil Services		11,604	7,813	20,695	17,454	24,387	24,387	25,966	27,524	29,174
Vote 5 - Planning,Economic,and Community Service		23,109	24,312	37,819	21,675	38,608	38,607	37,740	40,004	42,403
Vote 6 - Electrical Service		84,961	139,199	142,682	160,737	154,782	154,782	168,712	182,209	196,786
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	185,403	215,157	264,866	302,261	294,459	294,459	313,927	338,775	362,825
Surplus/(Deficit) for the year	2	2,249	4,768	(8,170)	(3,373)	3,557	3,557	12,569	2,917	13,395

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

Table 12 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source											
Property rates	2	29,164	33,739	35,063	52,050	41,050	41,050	41,050	43,102	45,258	47,521
Property rates - penalties & collection charges		5,008	6,239	5,732	5,789	5,789	5,789	5,789	5,847	5,905	5,964
Service charges - electricity revenue	2	96,669	121,165	143,741	163,610	163,167	163,167	163,167	179,083	195,200	212,768
Service charges - water revenue	2	—	—	—	—	—	—	—	—	—	—
Service charges - sanitation revenue	2	—	—	—	—	—	—	—	—	—	—
Service charges - refuse revenue	2	5,055	5,348	5,535	8,718	6,718	6,718	6,718	7,054	7,407	7,777
Service charges - other											
Rental of facilities and equipment		748	408	167	177	222	222	222	233	245	2,567
Interest earned - external investments									500	525	552
Interest earned - outstanding debtors		333	1,069	249	264	264	264	264	277	280	283
Dividends received											
Fines		345	201	299	302	302	302	302	317	332	349
Licences and permits		4,010	4,239	4,589	4,818	4,818	4,818	4,818	5,132	5,389	5,658
Agency services											
Transfers recognised - operational		20,894	24,727	29,480	33,078	34,519	34,519	34,519	39,040	44,472	55,816
Other revenue	2	2,371	2,469	2,011	2,132	2,858	2,858	2,858	2,928	3,309	3,711
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		164,597	199,604	226,866	270,938	259,707	259,707	259,707	283,514	308,321	342,966
Expenditure By Type											
Employee related costs	2	47,352	50,340	56,157	59,526	59,526	59,526	59,526	64,015	67,856	71,926
Remuneration of councillors		3,843	3,673	4,691	4,926	4,926	4,926	4,926	5,268	5,531	5,808
Debt impairment	3	10,489	2,789	12,800	10,000	10,000	10,000	10,000	12,000	12,000	12,000
Depreciation & asset impairment	2	18,576	38,677	31,686	35,000	35,000	35,000	35,000	35,000	40,000	45,000
Finance charges		915	1,012	2,050	2,153	3,153	3,153	3,153	3,494	3,400	3,300
Bulk purchases	2	74,023	92,582	121,948	132,315	132,315	132,315	132,315	139,875	152,464	166,185
Other materials	8	—	3,142	—	7,304	9,035	9,035	9,035	11,428	11,999	12,599
Contracted services		2,477	2,987	5,925	6,518	7,990	7,990	7,990	8,800	9,683	8,030
Transfers and grants		—	—	—	22,669	6,669	6,669	6,669	7,069	7,776	8,553
Other expenditure	4, 5	27,594	19,922	29,609	21,850	25,845	25,845	25,845	26,977	28,065	29,424
Loss on disposal of PPE		134	33	—	—	—	—	—	—	—	—
Total Expenditure		185,403	215,157	264,866	302,261	294,459	294,459	294,459	313,927	338,775	362,825
Surplus/(Deficit)		(20,806)	(15,553)	(38,000)	(31,323)	(34,752)	(34,752)	(34,752)	(30,412)	(30,453)	(19,860)
Transfers recognised - capital		23,055	20,321	29,830	16,709	33,737	33,737	33,737	27,161	19,299	18,420
Contributions recognised - capital		—	—	—	—	—	—	—	—	—	—
Contributed assets		—	—	—	11,241	4,572	4,572	4,572	15,820	14,071	14,835
Surplus/(Deficit) after capital transfers & contributions		2,249	4,768	(8,170)	(3,373)	3,557	3,557	3,557	12,569	2,917	13,395
Taxation											
Surplus/(Deficit) after taxation		2,249	4,768	(8,170)	(3,373)	3,557	3,557	3,557	12,569	2,917	13,395
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		2,249	4,768	(8,170)	(3,373)	3,557	3,557	3,557	12,569	2,917	13,395
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		2,249	4,768	(8,170)	(3,373)	3,557	3,557	3,557	12,569	2,917	13,395

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R283.514 million in 2013/14 and escalates to R342.966 million by 2014/15. This represents a year-on-year increase of 9.17 percent for the 2013/14 financial year and 8.75 percent for the 2014/15 financial year.
2. Revenue to be generated from property rates is R43 million in the 2013/14 financial year and increases to R47 million by 2015/16 which represents 15.20 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 5 per cent for 2013/2014 and 5% for each of the respective outer financial years of the MTREF.
3. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R179 million for the 2013/14 financial year and increasing to R213 million by 2015/16. For the 2013/14 financial year services charges amount to 63 percent of the total revenue. This growth can mainly be attributed to the increase in the bulk prices of electricity.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF.
5. Bulk purchases have significantly increased over the 2009/10 to 2015/16 period escalating from R74 million to R166 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 13 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Corporate Service		-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Finance and budget		-	-	-	-	-	-	-	-	-	-
Vote 4 - Civil Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning, Economic, and Community Service		-	-	-	-	-	-	-	-	-	-
Vote 6 - Electrical Service		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - Corporate Service		491	953	814	-	504	504	504	348	124	321
Vote 2 - Municipal Manager		-	-	3	-	-	-	-	-	-	-
Vote 3 - Finance and budget		214	335	50	-	363	363	363	55	65	85
Vote 4 - Civil Services		12,068	9,528	8,279	13,049	13,618	13,618	13,618	25,307	17,494	18,814
Vote 5 - Planning, Economic, and Community Service		15,768	18,794	19,509	4,160	21,651	21,651	21,651	5,661	2,480	1,770
Vote 6 - Electrical Service		1,524	2,775	10,456	7,200	7,791	7,791	7,791	12,300	2,660	2,320
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		30,065	32,385	39,111	24,409	43,927	43,927	43,927	43,671	22,823	23,310
Total Capital Expenditure - Vote		30,065	32,385	39,111	24,409	43,927	43,927	43,927	43,671	22,823	23,310
Capital Expenditure - Standard											
Governance and administration		705	1,288	774	-	867	867	867	403	189	406
Executive and council		-	-	-	-	504	504	504	348	124	321
Budget and treasury office		214	335	50	-	363	363	363	55	65	85
Corporate services		491	953	724	-	-	-	-	-	-	-
Community and public safety		15,535	4,692	4,692	4,160	675	675	675	-	-	-
Community and social services		15,515	-	4,682	200	-	-	-	-	-	-
Sport and recreation		-	72	-	-	675	675	675	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	4,620	-	3,960	-	-	-	-	-	-
Health		20	-	10	-	-	-	-	-	-	-
Economic and environmental services		11,816	22,055	23,099	13,049	34,594	34,594	34,594	30,968	19,974	20,584
Planning and development		-	12,526	14,820	-	20,976	20,976	20,976	5,661	2,480	1,770
Road transport		11,816	9,529	8,279	13,049	13,618	13,618	13,618	25,307	17,494	18,814
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		2,009	4,350	10,546	7,200	7,791	7,791	7,791	12,300	2,660	2,320
Electricity		1,776	2,775	10,456	7,200	7,791	7,791	7,791	12,300	2,660	2,320
Water		-	-	-	-	-	-	-	-	-	-
Waste water management		233	1,575	90	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	30,065	32,385	39,111	24,409	43,927	43,927	43,927	43,671	22,823	23,310
Funded by:											
National Government		12,104	-	-	12,749	23,862	23,862	23,862	27,161	19,299	18,420
Provincial Government		15,515	20,179	20,830	3,960	9,875	9,875	9,875	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	27,619	20,179	29,830	16,709	33,737	33,737	33,737	27,161	19,299	18,420
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	4,249	4,928	4,928	7,200	7,600	7,600	7,600	12,460	-	-
Internally generated funds	6	2,446	7,957	4,353	500	2,590	2,590	2,590	4,050	3,524	4,890
Total Capital Funding	7	30,065	32,385	39,111	24,409	43,927	43,927	43,927	43,671	22,823	23,310

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. No multi-year appropriations have been budgeted for.
3. Single-year capital expenditure has been appropriated at R44 million for the 2013/14 financial year and remains relatively constant over the MTREF at levels of R23 million and R23 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers and external borrowings. For 2013/14, capital transfers totals R27.161 million.

Table 14 MBRR Table A6 - Budgeted Financial Position

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand											
ASSETS											
Current assets											
Cash	1	–	9,942	2,271	2,587	2,547	2,547	2,547	15,482	19,785	25,125
Call investment deposits		156	5,599	17,725	1,050	1,050	1,050	1,050	1,200	1,300	1,500
Consumer debtors	1	49,433	45,501	33,923	36,123	36,123	36,123	36,123	47,929	49,826	51,817
Other debtors		5,810	8,781	3,500	1,500	1,500	1,500	1,500	305	200	–
Current portion of long-term receivables		–	222	–	–	–	–	–	–	–	–
Inventory	2	388	534	450	350	350	350	350	371	390	409
Total current assets		55,787	70,579	57,869	41,610	41,570	41,570	41,570	65,287	71,501	78,851
Non current assets											
Long term receivables		806	1,421	806	510	510	510	510	450	305	–
Investments		98	98	250	50	50	50	50	96	96	96
Investment property					3,960	3,960	3,960	3,960	–	–	–
Investment in Associate											
Property, plant and equipment	3	632,536	639,573	661,079	650,069	650,469	650,469	650,469	659,140	641,963	640,273
Agricultural											
Biological											
Intangible				170							
Other non-current assets			2,281								
Total non current assets		633,440	643,543	662,135	654,589	654,989	654,989	654,989	659,686	642,364	640,369
TOTAL ASSETS		689,227	714,122	720,004	696,199	696,559	696,559	696,559	724,973	713,865	719,220
LIABILITIES											
Current liabilities											
Bank overdraft	1	5,146	–	–							
Borrowing	4	1,112	1,764	1,002	2,500	2,600	2,600	2,600	8,615	8,615	8,615
Consumer deposits		2,197	2,398	2,200	2,300	2,300	2,300	2,300	2,650	2,710	2,850
Trade and other payables	4	21,227	23,683	50,681	32,218	32,218	32,218	32,218	27,596	17,699	15,680
Provisions		6,361	9,555	6,500	10,500	10,500	10,500	10,500	10,605	11,135	11,692
Total current liabilities		36,043	37,400	60,383	47,518	47,618	47,618	47,618	49,466	40,159	38,837
Non current liabilities											
Borrowing		5,600	8,135	14,356	16,500	16,800	16,800	16,800	30,797	26,079	19,361
Provisions		–	10,362	–	–	–	–	–	–	–	–
Total non current liabilities		5,600	18,497	14,356	16,500	16,800	16,800	16,800	30,797	26,079	19,361
TOTAL LIABILITIES		41,643	55,897	74,739	64,018	64,418	64,418	64,418	80,263	66,238	58,198
NET ASSETS	5	647,584	658,225	645,265	632,181	632,141	632,141	632,141	644,710	647,627	661,022
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)	4	646,409	657,130	644,170	631,096	631,046	631,046	631,046	643,615	646,532	659,927
Reserves		1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095
Minorities' interests		sss									
TOTAL COMMUNITY WEALTH/EQUITY	5	647,584	658,225	645,265	632,181	632,141	632,141	632,141	644,710	647,627	661,022

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 14 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 15 MBRR Table A7 - Budgeted Cash Flow Statement

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other	1	140,697	177,739	203,983	208,280	208,280	208,280	208,280	243,696	263,045	286,315
Government - operating		20,894	24,727	30,327	33,078	34,519	34,519	34,519	39,040	44,472	55,816
Government - capital	1	23,055	20,322	29,830	16,709	33,737	33,737	33,737	27,161	19,299	18,420
Interest		333	1,069	1,729	264	264	264	264	777	805	835
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(167,518)	(172,280)	(226,289)	(233,949)	(235,390)	(235,390)	(235,390)	(265,135)	(288,377)	(320,718)
Finance charges		(917)	(1,012)	(953)	(2,153)	(2,153)	(2,153)	(2,153)	(3,494)	(3,400)	(3,300)
Transfers and Grants	1										
NET CASH FROM/(USED) OPERATING ACTIVITIES		16,544	50,565	38,627	22,229	39,257	39,257	39,257	42,045	35,844	37,368
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		9,227	-	252							
Decrease (Increase) in non-current debtors		333	-	-	296	296	296	296			
Decrease (increase) other non-current receivables		(80)	(837)	1,552							
Decrease (increase) in non-current investments		(9,815)	(5,443)	(16,746)	200	200	200	200			
Payments											
Capital assets		(24,904)	(32,385)	(24,537)	(24,409)	(41,837)	(41,837)	(41,837)	(43,671)	(22,823)	(23,310)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(25,239)	(38,665)	(39,479)	(23,913)	(41,341)	(41,341)	(41,341)	(43,671)	(22,823)	(23,310)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		239									
Borrowing long term/refinancing		7	4,248	5,041	7,200	7,600	7,600	7,600	12,460	-	-
Increase (decrease) in consumer deposits		156									
Payments											
Repayment of borrowing		-	(1,061)	(764)	(5,200)	(5,240)	(5,240)	(5,240)	(8,718)	(8,718)	(8,718)
NET CASH FROM/(USED) FINANCING ACTIVITIES		402	3,187	4,277	2,000	2,360	2,360	2,360	3,742	(8,718)	(8,718)
NET INCREASE/ (DECREASE) IN CASH HELD		(8,293)	15,088	3,425	316	276	276	276	2,116	4,303	5,340
Cash/cash equivalents at the year end	2	3,147	(5,146)	9,942	2,271	2,271	2,271	2,271	13,366	15,482	19,785
Cash/cash equivalents at the year end	2	(5,146)	9,942	13,366	2,587	2,547	2,547	2,547	15,482	19,785	25,125

Table 16 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Cash and investments available											
Cash/cash equivalents at the year end	1	(5,146)	9,942	13,366	2,587	2,547	2,547	2,547	15,482	19,785	25,125
Other current investments > 90 days		156	5,599	6,630	1,050	1,050	1,050	1,050	1,200	1,300	1,500
Non current assets - Investments	1	98	98	250	50	50	50	50	96	96	96
Cash and investments available:		(4,892)	15,639	20,246	3,687	3,647	3,647	3,647	16,778	21,181	26,721
Application of cash and investments											
Unspent conditional transfers		2,879	-	16,225	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(36,529)	(32,932)	(5,051)	(1,173)	(3,052)	(3,052)	(3,052)	(21,032)	(32,579)	(36,086)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		(33,650)	(32,932)	11,174	(1,173)	(3,052)	(3,052)	(3,052)	(21,032)	(32,579)	(36,086)
Surplus(shortfall)		28,758	48,571	9,072	4,860	6,699	6,699	6,699	37,810	53,760	62,807

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality have increase significantly over the 2009/10 to 2011/12 period. This trend continues for the 2013/14 to 2015/16 financial years.
4. The 2013/14 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
5. Cash and cash equivalents totals R15.5 million as at the end of the 2013/14 financial year and escalates to R25.1 million by 2015/16.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be concluded that the proposed 2013/14 MTREF was sufficiently funded owing to the increased reserves.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2013/14 MTREF the end objective of the medium-term framework was to ensure the budget was funded and aligned to section 18 of the MFMA.
7. As can be seen the budget has been modelled to progressively move from R9.072 million in 2011/12 to R37.810 million in 2013/14 and finally to R62.807 million by 2015/16.

Table 16B MBRR Table A9 – Consolidated Asset Management

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
CAPITAL EXPENDITURE										
Total New Assets	1	30,065	32,385	39,111	24,409	43,927	43,927	43,671	22,823	23,310
Infrastructure - Road transport		11,565	9,529	8,279	13,049	13,049	13,049	25,307	17,494	18,814
Infrastructure - Electricity		1,524	2,775	10,466	7,200	7,791	7,791	12,300	2,660	2,320
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		13,089	12,304	16,735	20,249	20,840	20,840	37,607	20,154	21,134
Community		253	13,319	5,128	4,160	22,651	22,651	5,661	2,480	1,770
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		15,515	4,620	13,682	-	-	-	-	-	-
Other assets	6	1,208	1,972	1,566	-	436	436	403	189	406
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	170	-	-	-	-	-	-	-
Total Renewal of Existing Assets										
Infrastructure - Road transport	2	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Capital Expenditure										
Infrastructure - Road transport	4	11,565	9,529	8,279	13,049	13,049	13,049	25,307	17,494	18,814
Infrastructure - Electricity		1,524	2,775	10,466	7,200	7,791	7,791	12,300	2,660	2,320
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		13,089	12,304	16,735	20,249	20,840	20,840	37,607	20,154	21,134
Community		253	13,319	5,128	4,160	22,651	22,651	5,661	2,480	1,770
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		15,515	4,620	13,682	-	-	-	-	-	-
Other assets		1,208	1,972	1,566	-	436	436	403	189	406
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	170	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	30,065	32,385	39,111	24,409	43,927	43,927	43,671	22,823	23,310
ASSET REGISTER SUMMARY - PPE (WDV)										
Infrastructure - Road transport	5	220,863	221,110	229,389	242,138	242,138	242,138	249,744	268,248	299,791
Infrastructure - Electricity		57,831	57,848	68,304	83,645	83,645	83,645	83,138	82,113	52,414
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		244	200	-	-	-	-	-	-	-
Infrastructure - Other		-	9,322	20,142	20,542	20,542	20,542	20,417	20,555	21,044
Infrastructure		278,938	288,480	317,635	346,325	346,325	346,325	353,299	360,916	373,249
Community		9,699	13,319	22,517	22,517	22,517	22,517	22,381	21,996	21,996
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	3,960	3,960	3,960	-	-	-
Other assets		343,899	337,774	320,727	281,227	281,627	281,627	283,460	269,051	245,028
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	170	-	-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	632,536	639,743	661,079	654,029	654,429	654,429	659,140	641,963	640,273
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		18,576	38,677	31,686	35,000	35,000	35,000	35,000	40,000	45,000
Repairs and Maintenance by Asset Class	3	45,103	43,414	52,596	57,425	59,156	59,156	63,983	68,740	72,178
Infrastructure - Road transport		11,234	10,355	12,904	15,459	5,007	5,007	7,499	7,932	8,328
Infrastructure - Electricity		9,870	11,025	12,188	16,527	3,003	3,003	5,298	5,604	5,883
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	203	-	-	-	-	-	-	-
Infrastructure		21,104	21,583	25,092	31,986	8,010	8,010	12,797	13,536	14,211
Community		23,334	10,545	11,727	12,296	943	943	1,034	1,199	1,147
Heritage assets		-	8,963	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	665	2,323	15,777	13,143	50,203	50,203	50,152	54,005	56,820
TOTAL EXPENDITURE OTHER ITEMS		63,679	82,091	84,282	92,425	94,156	94,156	98,983	108,740	117,178
Renewal of Existing Assets as % of total capex		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Renewal of Existing Assets as % of deprecn"		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M as a % of PPE		7.1%	6.8%	8.0%	8.8%	9.1%	9.1%	9.7%	10.7%	11.3%
Renewal and R&M as a % of PPE		7.0%	7.0%	8.0%	9.0%	9.0%	9.0%	10.0%	11.0%	11.0%

Table 16C MBRR Table A10 – Consolidated Basic Service Delivery Measurement

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Household service targets	1									
Water:										
Piped water inside dwelling										
Piped water inside yard (but not in dwelling)										
Using public tap (at least min.service level)	2									
Other water supply (at least min.service level)	4									
Minimum Service Level and Above sub-total		-	-	-	-	-	-	-	-	-
Using public tap (< min.service level)	3									
Other water supply (< min.service level)	4									
No water supply										
Below Minimum Service Level sub-total		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:										
Flush toilet (connected to sewerage)										
Flush toilet (with septic tank)										
Chemical toilet										
Pit toilet (ventilated)										
Other toilet provisions (> min.service level)										
Minimum Service Level and Above sub-total		-	-	-	-	-	-	-	-	-
Bucket toilet										
Other toilet provisions (< min.service level)										
No toilet provisions										
Below Minimum Service Level sub-total		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
Energy:										
Electricity (at least min.service level)		5,000	5,000	5,000	5,500	5,500	5,500	5,500	5,500	5,500
Electricity - prepaid (min.service level)		8,000	8,000	8,000	8,500	8,500	8,500	8,500	8,500	8,500
Minimum Service Level and Above sub-total		13,000	13,000	13,000	14,000	14,000	14,000	14,000	14,000	14,000
Electricity (< min.service level)										
Electricity - prepaid (< min.service level)										
Other energy sources										
Below Minimum Service Level sub-total		-	-	-	-	-	-	-	-	-
Total number of households	5	13,000	13,000	13,000	14,000	14,000	14,000	14,000	14,000	14,000
Refuse:										
Removed at least once a week		8,000	8,000	8,000	8,500	8,500	8,500	8,500	8,500	8,500
Minimum Service Level and Above sub-total		8,000	8,000	8,000	8,500	8,500	8,500	8,500	8,500	8,500
Removed less frequently than once a week										
Using communal refuse dump		5,000	5,000	5,000	5,500	5,500	5,500	5,500	5,500	5,500
Using own refuse dump										
Other rubbish disposal										
No rubbish disposal										
Below Minimum Service Level sub-total		5,000	5,000	5,000	5,500	5,500	5,500	5,500	5,500	5,500
Total number of households	5	13,000	13,000	13,000	14,000	14,000	14,000	14,000	14,000	14,000
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)										
Sanitation (free minimum level service)										
Electricity/other energy (50kwh per household per month)		5,000	5,000	5,000	5,500	5,500	5,500	5,500	5,500	5,500
Refuse (removed at least once a week)		5,000	5,000	5,000	5,500	5,500	5,500	5,500	5,500	5,500
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)										
Sanitation (free sanitation service)										
Electricity/other energy (50kwh per household per month)		2,866	3,670	4,514	5,636	5,636	5,636	5,636	5,636	5,636
Refuse (removed once a week)		2,014	2,538	2,690	2,851	2,851	2,851	2,851	2,851	2,851
Total cost of FBS provided (minimum social package)		4,880	6,208	7,204	8,487	8,487	8,487	8,487	8,487	8,487
Highest level of free service provided										
Property rates (R value threshold)		-	30,000	300,000	30,000	30,000	30,000	30,000	30,000	30,000
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		250,000	250,000	250,000	275,000	275,000	275,000	275,000	275,000	275,000
Revenue cost of free services provided (R'000)	9									
Property rates (R15 000 threshold rebate)		11,617	12,388	13,379	14,182	14,182	14,182	14,182	14,182	14,182
Property rates (other exemptions, reductions and rebates)		11,291	27,615	27,615	29,601	29,601	29,601	29,601	29,601	29,601
Water										
Sanitation										
Electricity/other energy		2,866	3,670	4,514	5,636	5,636	5,636	5,636	5,636	5,636
Refuse		2,014	2,538	2,690	2,851	2,851	2,851	2,851	2,851	2,851
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
Total revenue cost of free services provided (total social package)	6	27,788	46,211	48,198	52,270	52,270	52,270	52,270	52,270	52,270

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

1.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2012) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule in August 2012. Key dates applicable to the process were:

- **August 2012** – Joint strategic planning session with Council and Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2013/14 MTREF;
- **November 2012** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **25 January 2013** - Council considers the 2012/13 Mid-year Review
- **20 February 2013** – Council considers Adjustments Budget 2012/2013;
- **26 March 2013** - Tabling in Council of the draft 2013/14 IDP and 2013/14 MTREF for public consultation;
- **April 2013** – Public consultation;
- **15 May 2013** - Closing date for written comments;
- **31 May 2013** - Tabling of the 2013/14 MTREF before Council for consideration and approval.

1.1.2 IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;

- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2013/14 MTREF, based on the approved 2012/13 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2013/14 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2011/12 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

1.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2013/14 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2013/14 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2012/13 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circular 58, 59 and 66 has been taken into consideration in the planning and prioritisation process.

1.1.4 Community Consultation

The draft 2013/14 MTREF will tabled before Council on the 26th of March 2013. Thereafter, the draft budget was made available on the municipal website, municipal offices and libraries in order to invite the public to submit their comments on the proposed budget. Community meetings will be held to obtain comments from the public.

1.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the Municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2013/14 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 19 IDP Strategic Objectives

2012/13 Financial Year	2013/14 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Batho Pele principles through a caring, accessible and accountable service	4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capaMunicipality to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide housing;
 - Provide roads and storm water;
 - Provide public transport;
 - Provide Municipality planning services; and
 - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the Municipality;
 - Ensuring planning processes function in accordance with set timeframes;

- Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
- Effective implementation of the Indigent Policy;
 - Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective Municipality cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
 - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure that the Municipality achieves set objectives
- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and

strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2013/14 MTREF has therefore been directly informed by the IDP revision process.

Table 20 MBRR Table SA4 – Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	Goal	Goal Code	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue Enhancement Strategies	Collection of Property Rates			34,172	39,978	40,795	57,839	41,050	41,050	43,102	45,258	47,521
Revenue Enhancement Strategies	Billing and Collection Of Service charges			101,724	126,513	149,276	172,328	175,674	175,674	186,137	202,607	220,545
Financial Management	Transfers Recognised			43,949	45,048	59,310	61,028	72,828	72,828	82,021	77,842	89,071
Revenue Enhancement Strategies	Other Own Revenue			7,807	8,386	7,315	7,603	8,464	8,464	15,235	15,084	10,084
Allocations to other priorities												
Total Revenue (excluding capital transfers and contributions)				187,652	219,925	256,696	298,888	298,016	298,016	326,495	341,691	376,221

Table 21 MBRR Table SA5 – Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	Goal	Goal Code	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16	
R thousand													
Human Resources Development	Employment of Staff			47,352	50,340	56,157	59,526	59,526	59,526	64,015	67,856	71,926	
Community Awareness	Remunerate Council			3,843	3,673	4,691	4,926	4,926	4,926	5,268	5,531	5,808	
Asset Management	Debt and asset impairment			18,576	38,677	31,686	35,000	35,000	35,000	35,000	35,000	35,000	
Debt Management	Finance Charges			915	1,012	2,050	2,153	3,153	3,153	3,494	3,400	3,300	
Expenditure Control	Payment of bulk purchases of electricity			74,023	95,724	121,948	139,619	132,315	132,315	139,875	152,464	166,185	
Expenditure Control	Payment of general expenses			40,694	25,731	48,334	38,368	52,870	52,870	59,206	66,748	72,053	
Expenditure Control	Free basic service-indigent support						22,669	6,669	6,669	7,069	7,776	8,553	
Allocations to other priorities													
Total Expenditure				1	185,403	215,157	264,866	302,261	294,459	294,459	313,927	338,775	362,825

Table 22 MBRR Table SA6 – Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Strategic Objective	Goal	Goal Code	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand												
Basic Services Delivery - access to Electricity	Provide access of electricity to all in Umtshezi in the financial year	A		1,524	2,775	10,456	7,200	7,791	7,791	12,300	2,660	2,320
Basic Services Delivery - access to Roads	Provide access to roads	B		11,565	9,528	8,279	13,049	13,618	13,618	12,847	17,494	18,814
Basic Services Delivery - access to Housing	Provide housing in the Kwezi Hostel area	C		15,667	–	(20,000)	3,960	–	–	–	–	–
Local economic Development	economic growth and poverty alleviation	D		–	18,794	7,600	200	20,976	20,976	6,064	2,669	2,176
Municipal Transformation and Institutional Development	Purchase of Equipment	E		1,309	1,288	32,776	–	1,542	1,542	12,460	–	–
Allocations to other priorities			3									
Total Capital Expenditure			1	30,065	32,385	39,111	24,409	43,927	43,927	43,671	22,823	23,310

1.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which is constantly refined as the

integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

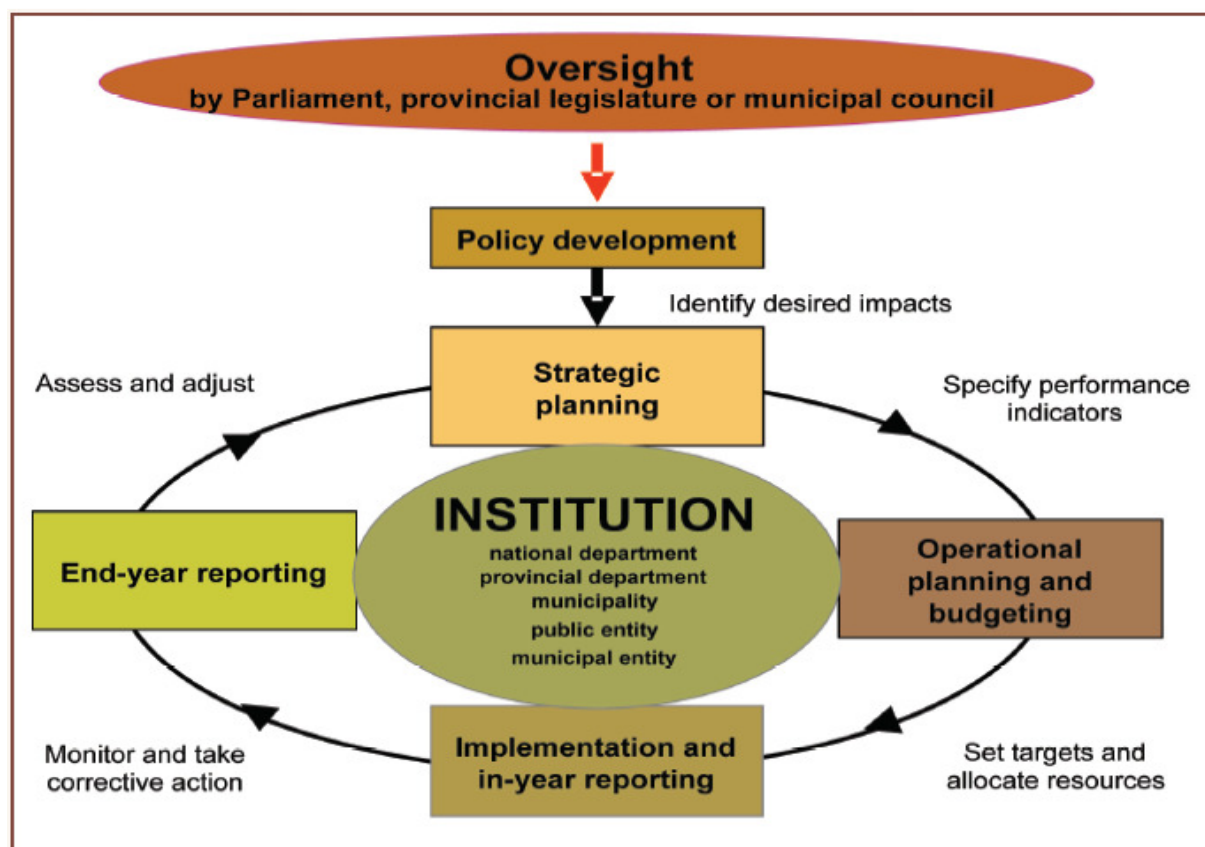


Figure 1 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury.

Table 23 MBRR Table SA8 – Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<u>Borrowing Management</u>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.5%	1.0%	1.1%	2.4%	2.9%	2.9%	2.9%	3.9%	3.6%	3.3%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.6%	1.2%	1.4%	3.1%	3.7%	3.7%	3.7%	5.0%	4.6%	4.2%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	10.1%	34.8%	54.3%	93.5%	74.6%	74.6%	74.6%	75.5%	0.0%	0.0%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	511.4%	742.9%	1311.1%	1506.8%	1534.2%	1534.2%	1534.2%	2812.5%	2381.6%	1768.1%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	1.5	1.9	1.0	0.9	0.9	0.9	0.9	1.3	1.8	2.0
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.5	1.9	1.0	0.9	0.9	0.9	0.9	1.3	1.8	2.0
Liquidity Ratio	Monetary Assets/Current Liabilities	0.0	0.4	0.3	0.1	0.1	0.1	0.1	0.3	0.5	0.7
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		98.1%	101.2%	104.1%	87.7%	92.6%	92.6%	92.6%	99.9%	99.9%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			97.9%	101.6%	103.3%	87.6%	92.5%	92.5%	92.5%	99.9%	99.9%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	34.1%	28.0%	16.9%	14.1%	14.7%	14.7%	14.7%	17.2%	16.3%	15.1%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		-356.5%	238.2%	257.8%	1245.4%	1264.9%	1264.9%	1264.9%	178.2%	89.5%	62.4%
<u>Other Indicators</u>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
Water Distribution Losses (2)	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
Employee costs	Employee costs/(Total Revenue - capital revenue)	28.8%	25.2%	24.8%	22.0%	22.9%	22.9%	22.9%	22.6%	22.0%	21.0%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	11.8%	19.9%	14.9%	13.7%	14.7%	14.7%	14.7%	13.6%	14.1%	14.1%
<u>IDP regulation financial viability indicators</u>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	67.5	70.1	36.1	43.2	43.2	43.2	23.7	25.7	27.6	30.1
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	40.4%	32.7%	19.7%	16.3%	17.3%	17.3%	17.3%	20.5%	19.7%	18.7%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	(0.4)	0.7	0.7	0.1	0.1	0.1	0.1	0.8	0.9	1.1

1.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

1.4.1 Review of credit control and debt collection procedures/policies

The Debt Collection Policy as approved by Council has been reviewed. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2013/14 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 90 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels.

1.4.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

1.4.3 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in May 2012. No further amendments have been made to the policy.

1.4.4 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the

legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was last reviewed by Council in May 2012 in respect of both Operating and Capital Budget Fund Transfers. No changes have been made to this policy.

1.4.5 Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy was reviewed by Council in May 2012. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

1.4.6 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

1.5 Overview of budget assumptions

1.5.1 External factors

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

1.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2013/14 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration.

1.5.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing

arrangements to minimise its interest rate costs and risk. However, the 2013/14 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments. As part of the compilation of the 2013/14 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

1.5.4 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (95 per cent) of annual billings. Cash flow is assumed to be 95 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

1.5.5 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

1.5.6 Salary increases

Salary increases were budgeted at 6.95%.

1.5.7 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and

- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

1.5.8 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2013/14 MTREF of which performance has been factored into the cash flow budget.

1.6 Overview of budget funding

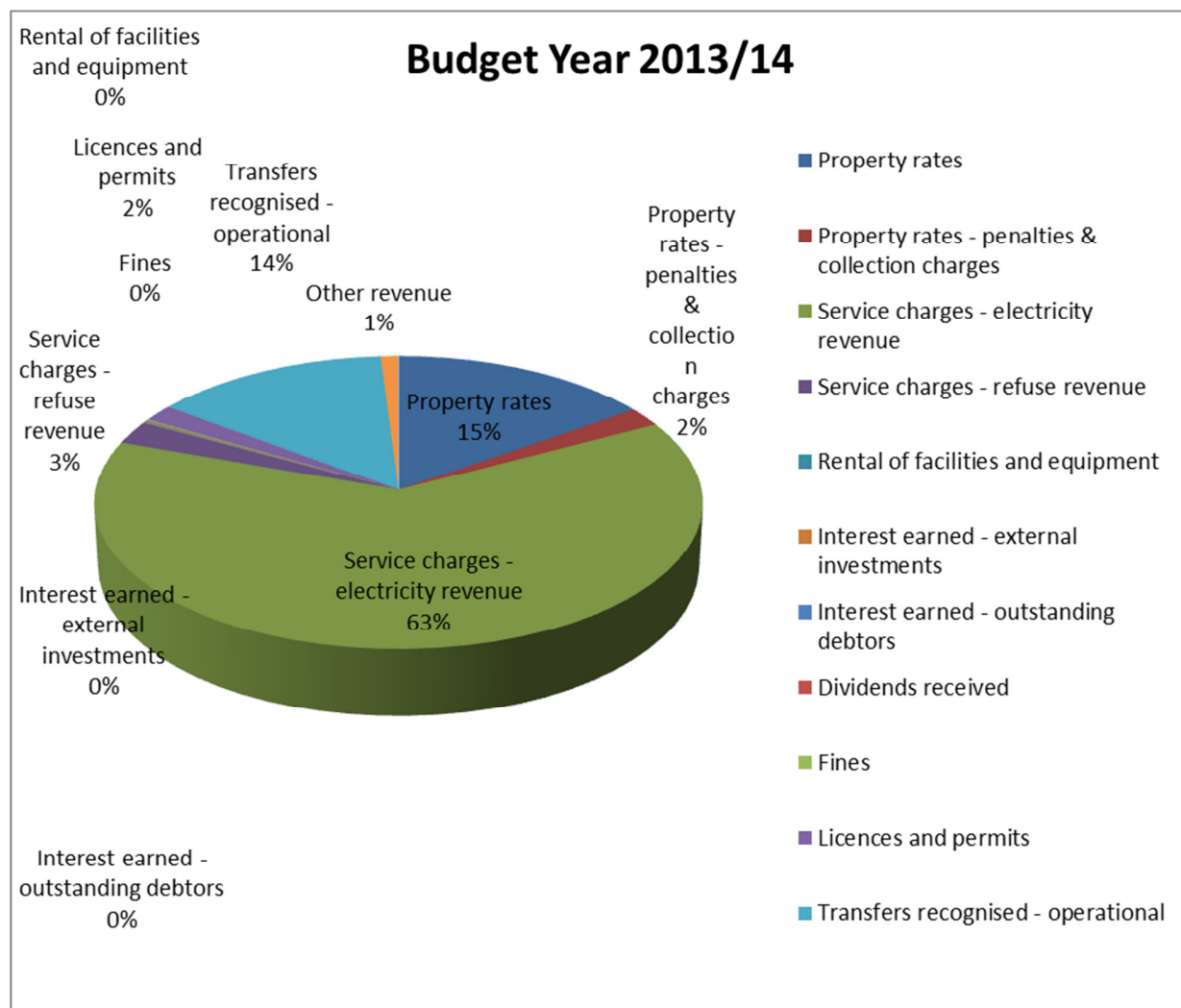
1.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 248 Breakdown of the operating revenue over the medium-term

Description	2013/14 Medium Term Revenue and Expenditure Framework		
	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand			
Revenue By Source			
Property rates	43,102	45,258	47,521
Property rates - penalties & collection charges	5,847	5,905	5,964
Service charges - electricity revenue	179,083	195,200	212,768
Service charges - refuse revenue	7,054	7,407	7,777
Rental of facilities and equipment	233	245	2,567
Interest earned - external investments	500	525	552
Interest earned - outstanding debtors	277	280	283
Dividends received			
Fines	317	332	349
Licences and permits	5,132	5,389	5,658
Transfers recognised - operational	39,040	44,472	55,816
Other revenue	2,928	3,309	3,711
Total Revenue (excluding capital transfers and contributions)	283,514	308,321	342,966

The following graph is a breakdown of the operational revenue per main category for the 2013/14 financial year.

Figure 2 Breakdown of operating revenue over the 2013/14 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as electricity and solid waste removal as well as property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 95 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;

- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2013/14 MTREF on the different revenue categories are:

Table 25: Proposed Tariff Increases for the 2013/14 MTREF

Description	Percentage
Electricity	9%
Refuse	5%
Other	5%

1.6.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 26 MBRR Table A7 – Budget cash flow statement

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		140,697	177,739	203,983	208,280	208,280	208,280	208,280	243,696	263,045	286,315
Government - operating	1	20,894	24,727	30,327	33,078	34,519	34,519	34,519	39,040	44,472	55,816
Government - capital	1	23,055	20,322	29,830	16,709	33,737	33,737	33,737	27,161	19,299	18,420
Interest		333	1,069	1,729	264	264	264	264	777	805	835
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(167,518)	(172,280)	(226,289)	(233,949)	(235,390)	(235,390)	(235,390)	(265,135)	(288,377)	(320,718)
Finance charges		(917)	(1,012)	(963)	(2,153)	(2,153)	(2,153)	(2,153)	(3,494)	(3,400)	(3,300)
Transfers and Grants	1	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		16,544	50,565	38,627	22,229	39,257	39,257	39,257	42,045	35,844	37,368
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		9,227	-	252	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		333	-	-	296	296	296	296	-	-	-
Decrease (Increase) other non-current receivables		(80)	(837)	1,552	-	-	-	-	-	-	-
Decrease (Increase) in non-current investments		(9,815)	(5,443)	(16,746)	200	200	200	200	-	-	-
Payments											
Capital assets		(24,904)	(32,385)	(24,537)	(24,409)	(41,837)	(41,837)	(41,837)	(43,671)	(22,823)	(23,310)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(25,239)	(38,665)	(39,479)	(23,913)	(41,341)	(41,341)	(41,341)	(43,671)	(22,823)	(23,310)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		239	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		7	4,248	5,041	7,200	7,600	7,600	7,600	12,460	-	-
Increase (decrease) in consumer deposits		156	-	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		-	(1,061)	(764)	(5,200)	(5,240)	(5,240)	(5,240)	(8,718)	(8,718)	(8,718)
NET CASH FROM/(USED) FINANCING ACTIVITIES		402	3,187	4,277	2,000	2,360	2,360	2,360	3,742	(8,718)	(8,718)
NET INCREASE/ (DECREASE) IN CASH HELD		(8,293)	15,088	3,425	316	276	276	276	2,116	4,303	5,340
Cash/cash equivalents at the year begin:	2	3,147	(5,146)	9,942	2,271	2,271	2,271	2,271	13,366	15,482	19,785
Cash/cash equivalents at the year end:	2	(5,146)	9,942	13,366	2,587	2,547	2,547	2,547	15,482	19,785	25,125

1.6.3 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 27 MBRR Table A8 – Cash backed reserves / accumulated surplus reconciliation

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Cash and investments available											
Cash/cash equivalents at the year end	1	(5,146)	9,942	13,366	2,587	2,547	2,547	2,547	15,482	19,785	25,125
Other current investments > 90 days		156	5,599	6,630	1,050	1,050	1,050	1,050	1,200	1,300	1,500
Non current assets - Investments	1	98	98	250	50	50	50	50	96	96	96
Cash and investments available:		(4,892)	15,639	20,246	3,687	3,647	3,647	3,647	16,778	21,181	26,721
Application of cash and investments											
Unspent conditional transfers		2,879	-	16,225	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(36,529)	(32,932)	(5,051)	(1,173)	(3,052)	(3,052)	(3,052)	(21,032)	(32,579)	(36,086)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		(33,650)	(32,932)	11,174	(1,173)	(3,052)	(3,052)	(3,052)	(21,032)	(32,579)	(36,086)
Surplus(shortfall)		28,758	48,571	9,072	4,860	6,699	6,699	6,699	37,810	53,760	62,807

1.6.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 28 MBRR Table SA10 – Funding compliance measurement

Description	MFMA section	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	(5,146)	9,942	13,366	2,587	2,547	2,547	2,547	15,482	19,785	25,125
Cash + investments at the yr end less applications - R'000	18(1)b	2	28,758	48,571	9,072	4,860	6,699	6,699	6,699	37,810	53,760	62,807
Cash year end/monthly employee/supplier payments	18(1)b	3	(0.4)	0.7	0.7	0.1	0.1	0.1	0.1	0.8	0.9	1.1
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	2,249	4,768	(8,170)	(3,373)	3,557	3,557	3,557	12,569	2,917	13,395
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	16.5%	8.2%	15.1%	(11.8%)	(6.0%)	(6.0%)	2.5%	1.9%	2.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	97.9%	101.6%	103.3%	87.6%	92.5%	92.5%	92.5%	99.9%	99.9%	99.9%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	7.7%	1.7%	6.7%	4.3%	4.6%	4.6%	4.6%	5.1%	4.7%	4.3%
Capital payments % of capital expenditure	18(1)c,19	8	82.8%	100.0%	62.7%	100.0%	95.2%	95.2%	95.2%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.3%	34.8%	54.3%	93.5%	74.6%	74.6%	74.6%	75.5%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(1.3%)	(31.3%)	0.5%	0.0%	0.0%	0.0%	28.2%	3.7%	3.6%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	76.3%	(43.3%)	(36.7%)	0.0%	0.0%	0.0%	(11.8%)	(32.2%)	(100.0%)
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asset renew al % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

1.6.4.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

1.6.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 16, on page 32. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

1.6.4.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should

the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts.

1.6.4.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

1.6.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

1.6.4.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget

1.6.4.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues.

1.6.4.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position.

1.6.4.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance

1.6.4.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could

indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

1.6.4.11 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position.

1.6.4.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

1.6.4.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

1.7 Expenditure on grants and reconciliations of unspent funds

Table 29 Expenditure on grant transfers and grant programmes

DETAILS	FUNDING	2013/2014	2014/2015	2015/2016
R				
CAPITAL GRANTS				
NDPG	National Government	2,000,000	2,000,000	0
Municipal Infrastructure Grant	National Government	15,161,000	17,299,000	18,420,000
INEP	National Government	10,000,000	0	0
TOTAL CAPITAL GRANTS		27,161,000	19,299,000	18,420,000
OPERATING GRANTS				
Equitable Share	National Government	30,845,000	36,441,000	47,171,000
Councillor and Ward Committee Allowance	National Government	2,351,000	2,962,000	3,074,000
Finance Management Grant	National Government	1,550,000	1,600,000	1,650,000
Municipal Systems Infrastructure Grant	National Government	890,000	934,000	967,000
Extended Public Works Programme	National Government	1,000,000	0	0
Community Participation in IDP's	Provincial Government	0	0	300,000
Community Library Services	Provincial Government	240,000	252,000	265,000
Museum	Provincial Government	286,000	302,000	317,000
Provincialisation of Libraries	Provincial Government	1,878,000	1,981,000	2,072,000
TOTAL OPERATING GRANT		39,040,000.00	44,472,000.00	55,816,000.00
ALLOCATIONS IN KIND				
INEP	National Government	14,820,000.00	13,071,000.00	13,835,000.00
NDPG	National Government	1,000,000.00	1,000,000.00	1,000,000.00
TOTAL CAPITAL FUNDED		15,820,000.00	14,071,000.00	14,835,000.00

2.8 Councillor and Employee Benefits

Table 30 MBRR Table SA22 – Summary of councilor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
	1	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		2,545	2,353	2,920	3,118	3,118	3,118	3,370	3,539	3,716
Pension and UIF Contributions		287	336	422	425	425	425	446	468	492
Medical Aid Contributions		10	12	-	-	-	-	-	-	-
Motor Vehicle Allowance		689	805	1,129	1,142	1,142	1,142	1,199	1,259	1,322
Cellphone Allowance		139	167	220	241	241	241	253	265	278
Housing Allowances										
Other benefits and allowances		173								
Sub Total - Councillors		3,843	3,673	4,691	4,926	4,926	4,926	5,268	5,531	5,808
% increase	4		(4.4%)	27.7%	5.0%	-	-	6.9%	5.0%	5.0%

2.9 Monthly targets for revenue, expenditure and cash flow

KZN234 Umtshezi - Supporting Table SA25 Consolidated budgeted monthly revenue and expenditure

Description		Ref	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
R thousand			July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source																	
Property rates			3,592	3,592	3,592	3,592	3,592	3,592	3,592	3,592	3,592	3,592	3,592	3,590	43,102	45,258	47,521
Property rates - penalties & collection charges			487	487	487	487	487	487	487	487	487	487	487	490	5,847	5,905	5,964
Service charges - electricity revenue			17,908	21,130	14,327	12,536	11,640	11,640	11,640	11,640	12,536	14,327	17,908	21,850	179,083	195,200	212,788
Service charges - water revenue															-	-	-
Service charges - sanitation revenue															-	-	-
Service charges - refuse revenue			587	587	587	587	587	587	587	587	587	587	587	597	7,054	7,407	7,777
Service charges - other															-	-	-
Rental of facilities and equipment			19	19	19	19	19	19	19	19	19	19	19	24	233	245	2,567
Interest earned - external investments			41	41	41	41	41	41	41	41	41	41	41	49	500	525	552
Interest earned - outstanding debtors			23	23	23	23	23	23	23	23	23	23	23	24	277	280	283
Dividends received															-	-	-
Fines			26	26	26	26	26	26	26	26	26	26	26	31	317	332	349
Licences and permits			428	428	428	428	428	428	428	428	428	428	428	424	5,132	5,389	5,658
Agency services															-	-	-
Transfers recognised - operational			10,282	1,550	890	2,404	11,282				12,632			0	39,040	44,472	55,816
Other revenue			244	244	244	244	244	244	244	244	244	244	244	244	2,928	3,309	3,711
Gains on disposal of PPE															-	-	-
Total Revenue (excluding capital transfers and contributions)			33,637	28,127	20,664	20,387	28,369	17,087	17,087	17,087	30,615	19,774	23,355	27,325	283,514	308,321	342,966
Expenditure By Type																	
Employee related costs			5,335	5,335	5,335	5,335	5,335	5,335	5,335	5,335	5,335	5,335	5,335	5,330	64,015	67,856	71,926
Remuneration of councillors			439	439	439	439	439	439	439	439	439	439	439	439	5,268	5,531	5,808
Debt impairment			1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000	12,000	12,000
Depreciation & asset impairment			2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,913	35,000	40,000	45,000
Finance charges			291	291	291	291	291	291	291	291	291	291	291	293	3,484	3,400	3,300
Bulk purchases			13,988	16,785	11,190	9,791	9,092	9,092	9,092	9,092	9,791	11,190	13,988	16,785	139,875	152,484	166,185
Other materials			952	952	952	952	952	952	952	952	952	952	952	956	11,428	11,999	12,599
Contracted services			733	733	733	733	733	733	733	733	733	733	733	737	8,800	9,683	8,030
Transfers and grants			589	589	589	589	589	589	589	589	589	589	589	590	7,069	7,776	8,553
Other expenditure			2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,282	26,977	28,065	29,424
Loss on disposal of PPE															-	-	-
Total Expenditure			28,489	31,286	25,691	24,292	23,593	23,593	23,593	23,593	24,292	25,691	28,489	31,326	313,927	338,775	362,825
Surplus/(Deficit)			5,148	(3,159)	(5,027)	(3,905)	4,777	(6,506)	(6,506)	(6,506)	6,323	(5,917)	(5,133)	(4,001)	(30,412)	(30,453)	(19,860)
Transfers recognised - capital				2,000	7,581	5,000		5,000	7,581						27,161	19,299	18,420
Contributions recognised - capital															-	-	-
Contributed assets										3,955		3,955	3,955	3,955	15,920	14,071	14,835
Surplus/(Deficit) after capital transfers & contributions			5,148	(1,159)	2,553	1,095	4,777	(1,505)	1,075	(2,550)	6,323	(1,962)	(1,178)	(46)	12,569	2,917	13,395
Taxation															-	-	-
Attributable to minorities															-	-	-
Share of surplus/ (deficit) of associate															-	-	-
Surplus/(Deficit)	1		5,148	(1,159)	2,553	1,095	4,777	(1,505)	1,075	(2,550)	6,323	(1,962)	(1,178)	(46)	12,569	2,917	13,395

KZN234 Umtshezi - Supporting Table SA26 Consolidated budgeted monthly revenue and expenditure (municipal vote)

KZN24 Umsheni - Supporting Table SA26 Consolidated budgeted monthly revenue and expenditure (municipal vote)														Medium Term Revenue and Expenditure Framework		
Description	Ref	Budget Year 2013/14												Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June			
Revenue by Vote																
Vote 1 - Corporate Service		891	891	891	891	891	891	891	891	891	891	891	902	10,703	11,742	12,286
Vote 2 - Municipal Manager														-	-	-
Vote 3 - Finance and budget		14,571	7,839	5,179	6,693	15,571	4,289	4,290	4,789	16,921	4,789	4,789	3,808	93,528	101,170	118,691
Vote 4 - Civil Services				7,581				7,580						15,161	17,299	18,420
Vote 5 - Planning, Economic, and Community Service		267	267	267	267	267	267	267	267	267	267	267	263	3,200	3,209	221
Vote 6 - Electrical Service		17,908	21,130	14,327	17,536	11,640	16,640	11,640	15,095	12,536	17,782	21,363	26,306	203,903	208,271	226,603
Total Revenue by Vote		33,637	30,127	28,245	25,387	28,369	22,087	24,668	21,042	30,615	23,729	27,310	31,279	326,495	341,691	376,221
Expenditure by Vote to be appropriated																
Vote 1 - Corporate Service		1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	23,537	25,251	24,477
Vote 2 - Municipal Manager		112	112	112	112	112	112	112	112	112	112	112	112	1,349	1,430	1,515
Vote 3 - Finance and budget		4,715	4,715	4,715	4,715	4,715	4,715	4,715	4,715	4,715	4,715	4,758	56,623	62,357	68,471	
Vote 4 - Civil Services		2,164	2,164	2,164	2,164	2,164	2,164	2,164	2,164	2,164	2,164	2,164	2,164	25,966	27,524	29,174
Vote 5 - Planning, Economic, and Community Service		3,145	3,145	3,145	3,145	3,145	3,145	3,145	3,145	3,145	3,145	3,145	3,145	37,740	40,004	42,403
Vote 6 - Electrical Service		16,391	19,188	13,593	12,194	11,495	11,495	11,495	11,495	12,194	13,593	16,391	19,187	168,712	182,209	196,786
Total Expenditure by Vote		28,489	31,286	25,691	24,292	23,593	23,593	23,593	24,292	25,691	28,489	31,327	313,927	338,775	362,825	
Surplus/(Deficit) before assoc.		5,148	(1,159)	2,554	1,095	4,776	(1,506)	1,075	(2,551)	6,323	(1,962)	(1,179)	(48)	12,569	2,917	13,395
Taxation														-	-	-
Attributable to minorities														-	-	-
Share of surplus/ (deficit) of associate														-	-	-
Surplus/(Deficit)	1	5,148	(1,159)	2,554	1,095	4,776	(1,506)	1,075	(2,551)	6,323	(1,962)	(1,179)	(48)	12,569	2,917	13,395

KZN234 Umtshezi - Supporting Table SA28 Consolidated budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Multi-year expenditure to be appropriated	1															
Vote 1 - Corporate Service																
Vote 2 - Municipal Manager																
Vote 3 - Finance and budget																
Vote 4 - Civil Services																
Vote 5 - Planning,Economic, and Community Service																
Vote 6 - Electrical Service																
Capital multi-year expenditure sub-total	2															
Single-year expenditure to be appropriated																
Vote 1 - Corporate Service			150			150			48					348	124	321
Vote 2 - Municipal Manager																
Vote 3 - Finance and budget				55										55	65	85
Vote 4 - Civil Services		2,109	2,109	2,109	2,109	2,109	2,109	2,109	2,109	2,109	2,109	2,109	2,109	25,307	17,494	18,814
Vote 5 - Planning,Economic, and Community Service		472	472	472	472	472	472	472	472	472	472	472	472	5,661	2,480	1,770
Vote 6 - Electrical Service		1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	12,300	2,660	2,320
Capital single-year expenditure sub-total	2	3,606	3,756	3,661	3,606	3,756	3,606	3,606	3,654	3,606	3,606	3,606	3,606	43,671	22,823	23,310
Total Capital Expenditure	2	3,606	3,756	3,661	3,606	3,756	3,606	3,606	3,654	3,606	3,606	3,606	3,606	43,671	22,823	23,310

2.10 Annual budgets and SDBIPs

The service delivery and budget implementation plans have been drafted and are aligned to the IDP, Balanced Scorecard, Performance Agreements and Budget. This will be finalized by June 2013.

2.11 Contracts having future budgetary implications

There are no contracts having future budgetary implications.

2.12 Capital Expenditure Details

Table 36 MBRR SA36 – Detailed capital budget per municipal vote

Capital Expenditure For the financial year 2013/14	FUNDING	2013/14	2014/15	2015/16
		R	R	R
CORPORATE SERVICE DEPARTMENT				
Steel Filing Cabinet(8)	CNL	0	20,000	10,000
Airconditioners (2)	CNL	0	12,000	0
Printers x1 HR	CNL	1,000	3,000	1,000
Office Chair with swivel & Tilt	CNL	0	2,000	0
Scanner,Printer,Copier	CNL	0	4,000	0
Voice Recorder CLO	CNL	0	2,000	0
Standard desk CLO	CNL	2,500	0	0
Office chairs x6 (CLO,RECORDS,P.A,NEW OFFICES)	CNL	1,000	0	0
DESKS X3 (NEW OFFICES)	CNL	7,500	0	0

Visitors Chairs (x8) (Director ,ABM)	CNL	0	6,000	5,000
Laptop and Printer(ABM)	CNL	0	7,500	0
Digital Camera x2 (ABM/CLO)	CNL	0	5,000	0
Upgrade Switchboard	CNL	50,000	0	0
Vaccum Cleaner (Town Hall)	CNL	4,000	0	0
Airconditioner Town Library	CNL	25,000	0	0
Airconditioner and Air Curtain (Wembezi Library)	CNL	20,000	0	0
Chairs x50/ study tables x3(Wembezi & Town library)	CNL	20,000	20,000	30,000
Study Cubicles & Chairs x10	CNL	10,000	5,000	5,000
Computers x4 /Printer x1	CNL	21,500	0	0
Re-carpetting of town library	CNL	25,000	0	0
Blinds for Weenen library	CNL	5,000	0	0
T.V Stands for all libraries	CNL	1,500	0	0
Carpetting for weenen library	CNL	10,000	0	0
New Fridge for wembezi & town library	CNL	5,000	0	0
Vaccum cleaner	CNL	0	4,000	0
Cupboards against the wall at wembezi library	CNL	0	25,000	0
Book shelves at Estcourt Library	CNL	20,000	0	20,000
Digicam speed timing device & Accessories	CNL	100,000	0	250,000
Airconditioners 24 000 BTU	CNL	12,000	0	0
Fully Equiped trojan GYM set for traffic	CNL	0	8,000	0
Air conditioner for weenen boardroom 24 000 BTU	CNL	7,000	0	0
TOTAL		348,000	123,500	321,000
CIVIL DEPARTMENT				
Purchase of plant and Equipment				
Grader x1	EXT LOAN	2,300,000	0	0
Tipper truck x3	EXT LOAN	2,500,000	0	0
Excavator x1	EXT LOAN	1,200,000	0	0
Lowbed x1	EXT LOAN	800,000	0	0
T.L.B x1	EXT LOAN	950,000	0	0
Roller 10 tonne x1	EXT LOAN	650,000	0	0
Horse for Lowbed x1	EXT LOAN	800,000	0	0
Tipper Trailer x1	EXT LOAN	190,000	0	0
Jack Hammers x3	CNL	0	50,000	0
Generators x2	CNL	0	0	24,000
Rammers Compactors x3	CNL	75,000	0	0
Pedestrian Roller x2	EXT LOAN	120,000	0	0
Sit on Roller	EXT LOAN	350,000	0	0

Conveyors for Premix Machine	CNL	65,000	0	0
New Gravel Roads				
Computers Laptop x3	CNL		30,000	0
Printers	CNL	1,000	5,000	0
A plotter/printer	CNL	0	0	250,000
Upgrading offices Minerva Road	CNL	100,000	100,000	100,000
MIG Projects	MIG	15,161,000	17,299,000	18,420,000
Upgrading of pavements	CNL			
TOTAL		25,307,000	17,494,000	18,814,000
PECS				
YOUTH CENTER	CNL	100,000	50,000	60,000
HEALTH & SAFETY EQUIPM- BUILDING	CNL	50,000	20,000	30,000
Office Furniture & Equipment	CNL	0	25,000	30,000
Ground Marking Machine	CNL	10,000	0	0
Soccer Net	CNL	3,000	0	0
Sport Equipment	CNL	0	10,000	15,000
Cricket Screen	CNL	5,000	0	5,000
1X Cementary(new development)	CNL	100,000	0	0
Furniture and Equipment	CNL	10,000	0	15,000
Berttucker pool - Upgrade	CNL	100,000	150,000	0
Hildene swimming pool upgrade	CNL	100,000	0	250,000
double diff trolley	CNL	0	25,000	0
Clocking Machine	CNL	10,000	0	0
Tractors	CNL	0	120,000	0
Laptop computers x 4	CNL	20,000	0	25,000
Gyromower roller	CNL	25,000	0	30,000
Chainsaw-estcourt	CNL	20,000	0	0
Brush cutters	CNL	85,000	0	50,000
slashers	CNL	50,000	0	0
Brush cutters-Weenen	CNL	35,000	0	0
Purchase of ploughing equipment	CNL	0	0	100,000
Upgrade of Stores and workshop	CNL	100,000	0	0
borehole	CNL	40,000	0	0
water pump	CNL	50,000	0	0
Weigh bridge	CNL	320,000	0	0
tools	CNL	10,000	0	0
Heavy duty grease gun	CNL	2,000	0	0
bulk skip containers	CNL	30,000	40,000	50,000
refuse bins concrete c&d section	CNL	20,000	0	0
refuse bins concrete all sections	CNL	0	30,000	40,000

Machines sewing weenen centre	CNL	0	0	50,000
Plant and Equipment	CNL			
Refuse truck	CNL	0	0	1,000,000
Tipper trucks x3	EXT LOAN	2,000,000	0	0
Trailer x1	CNL	50,000	0	0
Purchase of fire Equipment	CNL	50,000	0	0
Pecs Housing Camera	CNL	1,000	0	0
Bulk Service upgrade	CNL			
Chairs x3	CNL	0	3,000	0
Laptop	CNL	0	7,000	0
Pc and Laptop x1	CNL	5,000	0	0
Building Control				
NDPG Projects	NDPG	2,000,000	2,000,000	0
Office Furniture & Equipment	CNL	5,000	0	0
Total		5,661,000	2,480,000	1,770,000
ELECTRICITY DEPARTMENT				
BATTERY CHARGER UNITS	CNL	100,000	150,000	200,000
QUANTUM - TESTING VEHICLE	CNL			
STREET LIGHT	CNL	200,000	250,000	300,000
PROTECTION UPGRADE FOR SUBSTATION	CNL	200,000	250,000	300,000
VEHICLE REPLACEMENT (BUCKET TRUCK)	EXT LOAN	600,000	0	0
UNDERTAKE STREET LIGHTS IMPROVEMENTS	CNL	300,000	350,000	400,000
SCADA SYSTEM	CNL	500,000	500,000	550,000
STREET LIGHTS WEMBEZI A& C	CNL			
PROTECTION UPGRADE FOR SUBSTATION	CNL	50,000	100,000	150,000
UNDER TAKE STREETLIGHT IMPROVEMENTS	CNL			
ELECTRIFICATION PROJECT	INEP	10,000,000	0	0
20 ton crane truck	CNL	0	600,000	0
TOTAL		12,300,000	2,660,000	2,320,000
FINANCE				
Desktops x 5 and Software		40,000	50,000	60,000
Desks and chairs		15,000	15,000	25,000
TOTAL		55,000	65,000	85,000
Corporate Sevices		348,000	123,500	321,000
Civil Department		25,307,000	17,494,000	18,814,000
PECS Department		5,661,000	2,480,000	1,770,000
Electricity Department		12,300,000	2,660,000	2,320,000
Finance Department		55,000	65,000	85,000

Total Capital Expenditure		<u>43,671,000</u>	<u>22,822,500</u>	<u>23,310,000</u>
FUNDING SOURCE:				
External Loan		12,460,000	0	0
Council		4,050,000	3,523,500	4,890,000
MIG		15,161,000	17,299,000	18,420,000
INEP		10,000,000	0	0
NDPG		2,000,000	2,000,000	0
		43,671,000	22,822,500	23,310,000

2.12 Legislative compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved.
2. Internship programme
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. .
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detailed SDBIP document is at a draft stage and will be finalised after approval of the 2013/14 MTREF in May 2013 directly aligned and informed by the 2013/14 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training module in electronic format has been completed by municipal staff.
8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.13 Other Supporting Documentation

Table 38 MBRR Table SA1 – Supporting detail to budgeted financial performance

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand											
REVENUE ITEMS:											
Property rates											
Total Property Rates	0	29,104	33,739	62,078	67,092	68,092	68,092	68,092	72,127	75,733	79,520
less Revenue Foregone				27,015	15,042	27,042	27,042	27,042	29,024	30,475	31,000
Net Property Rates		29,104	33,739	35,063	52,050	41,050	41,050	41,050	43,102	45,258	47,520
Service charges - electricity revenue											
Total Service charges - electricity revenue	0	98,669	121,166	143,741	163,610	163,167	163,167	163,167	179,083	195,200	212,768
less Revenue Foregone											
Net Service charges - electricity revenue		98,669	121,166	143,741	163,610	163,167	163,167	163,167	179,083	195,200	212,768
Service charges - water revenue											
Total Service charges - water revenue	0										
less Revenue Foregone											
Net Service charges - water revenue		-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue											
Total Service charges - sanitation revenue	0										
less Revenue Foregone											
Net Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue											
Total refuse removal revenue		5,058	5,348	5,535	8,718	6,718	6,718	6,718	7,054	7,407	7,777
Total landfill revenue											
less Revenue Foregone											
Net Service charges - refuse revenue		5,058	5,348	5,535	8,718	6,718	6,718	6,718	7,054	7,407	7,777
Other Revenue by source											
Other revenue		2,371	2,469	2,011	2,132	2,858	2,858	2,858	2,928	3,309	3,711
sub-total											
Total Other Revenue	3	2,371	2,469	2,011	2,132	2,858	2,858	2,858	2,928	3,309	3,711
EXPENDITURE ITEMS:											
Employee related costs											
Basic Salaries and Wages	2	30,978	34,011	37,530	38,798	38,798	38,798	38,798	41,085	44,187	46,838
Pension and UIF Contributions		3,166	559	8,150	9,300	9,300	9,300	9,300	6,725	7,120	7,556
Medical Aid Contributions			2,544						2,445	2,592	2,747
Overtime		1,581	1,477	1,837	1,753	1,753	1,753	1,753	2,106	2,232	2,366
Performance Bonus		2,050	3,181	3,221	3,850	3,850	3,850	3,850	3,873	4,105	4,352
Motor Vehicle Allowance		1,075	1,087	2,102	1,358	1,358	1,358	1,358	1,555	1,649	1,748
Cellphone Allowance									350	371	393
Housing Allowances		-	325	304	1,295	1,295	1,295	1,295	345	357	359
Other benefits and allowances			523						1,400	1,454	1,573
Payments in lieu of leave		2,404	173	2,944	3,165	3,165	3,165	3,165	3,517	3,725	3,952
Long service awards									11	12	12
Postretirement benefit obligations	4	4,858	5,859	-							
sub-total											
Less: Employees costs capitalised to PPE	5	47,352	60,340	66,167	69,628	69,628	69,628	69,628	84,016	87,868	91,928
Total Employee related costs	1	47,352	60,340	66,167	69,628	69,628	69,628	69,628	84,016	87,868	91,928
Contributions recognised - capital											
List contributions by contract											
sub-total											
Total Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-
Depreciation & asset impairment											
Depreciation of Property, Plant & Equipment		18,576	35,077	31,888	35,000	35,000	35,000	35,000	35,000	40,000	45,000
Lease amortisation											
Capital asset impairment											
Depreciation resulting from revaluation of PPE											
Total Depreciation & asset impairment	10	18,576	35,077	31,888	35,000	35,000	35,000	35,000	35,000	40,000	45,000
Bulk purchases											
Electricity Bulk Purchases		74,023	92,592	121,048	132,315	132,315	132,315	132,315	139,875	152,464	166,185
Water Bulk Purchases											
Total bulk purchases	1	74,023	92,592	121,048	132,315	132,315	132,315	132,315	139,875	152,464	166,185
Transfers and grants											
Cash transfers and grants		-	-	-	22,688	6,888	6,888	6,888	7,088	7,778	8,653
Non-cash transfers and grants		-	-	-	-	-	-	-	-	-	-
Total transfers and grants	1	-	-	-	22,688	6,888	6,888	6,888	7,088	7,778	8,653
Contracted services											
Grass Cutting				25	25	-	-	-	20	25	30
Security		2,477	2,957	5,900	6,490	7,990	7,990	7,990	8,780	9,558	8,000
sub-total											
Allocations to organs of state:	1	2,477	2,957	6,925	6,615	7,990	7,990	7,990	8,800	9,883	8,000
Electricity											
Water											
Sanitation											
sub-total											
Total Allocations to organs of state		2,477	2,957	6,925	6,615	7,990	7,990	7,990	8,800	9,883	8,000
Other Expenditure By Type											
Collection costs		-	-	3,100	500	500	500	500	1,000	1,100	1,500
Contributions to other provisions											
Consultant fees		1,954	1,471	1,000	450	1,407	1,407	1,407	1,331	1,000	650
Audit fees		1,058	1,749	1,590	1,000	1,000	1,000	1,000	1,080	1,124	1,191
General expenses		23,982	16,702	15,751	19,000	22,938	22,938	22,938	21,051	22,765	23,903
Grant expenditure											
Water and Sanitation									1,905	2,076	2,180
Repairs and maintenance				8,138							

March 2012

Table 35 MBRR Table SA3 – Supporting detail to Statement of Financial Position

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand											
ASSETS											
Call investment deposits											
Call deposits < 90 days		156	5,599	17,725	1,050	1,050	1,050	1,050	1,200	1,300	1,500
Other current investments > 90 days											
Total Call investment deposits	2	156	5,599	17,725	1,050	1,050	1,050	1,050	1,200	1,300	1,500
Consumer debtors											
Consumer debtors		77,321	45,501	33,923	36,123	36,123	36,123	36,123	47,929	49,826	51,817
Less: Provision for debt impairment		(27,888)									
Total Consumer debtors	2	49,433	45,501	33,923	36,123	36,123	36,123	36,123	47,929	49,826	51,817
Debt impairment provision											
Balance at the beginning of the year											
Contributions to the provision											
Bad debts written off											
Balance at end of year		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment (PPE)											
PPE at cost/valuation (excl. finance leases)		722,028	639,573	661,079	650,069	650,469	650,469	650,469	659,140	641,963	640,273
Leases recognised as PPE	3	6,477									
Less: Accumulated depreciation		95,969									
Total Property, plant and equipment (PPE)	2	632,536	639,573	661,079	650,069	650,469	650,469	650,469	659,140	641,963	640,273
LIABILITIES											
Current liabilities - Borrowing											
Short term loans (other than bank overdraft)											
Current portion of long-term liabilities		1,112	1,764	1,002	2,500	2,600	2,600	2,600	8,615	8,615	8,615
Total Current liabilities - Borrowing		1,112	1,764	1,002	2,500	2,600	2,600	2,600	8,615	8,615	8,615
Trade and other payables											
Trade and other creditors		18,348	23,683	34,456	32,218	32,218	32,218	32,218	27,596	17,699	15,680
Unspent conditional transfers		2,879		16,225							
VAT											
Total Trade and other payables	2	21,227	23,683	50,681	32,218	32,218	32,218	32,218	27,596	17,699	15,680
Non current liabilities - Borrowing											
Borrowing	4	2,242	8,135	14,356	16,500	16,800	16,800	16,800	30,500	25,885	19,270
Finance leases (including PPP asset element)		3,358							297	194	91
Total Non current liabilities - Borrowing		5,600	8,135	14,356	16,500	16,800	16,800	16,800	30,797	26,079	19,361
Provisions - non-current											
Retirement benefits			10,362								
List other major provision items											
Refuse landfill site rehabilitation											
Other											
Total Provisions - non-current		-	10,362	-	-	-	-	-	-	-	-
CHANGES IN NET ASSETS											
Accumulated Surplus/(Deficit)											
Accumulated Surplus/(Deficit) - opening balance		644,242	656,023	651,890	634,459	627,489	627,489	627,489	631,046	643,615	646,532
GRAP adjustments			(3,662)								
Restated balance		644,242	652,361	651,890	634,459	627,489	627,489	627,489	631,046	643,615	646,532
Surplus/(Deficit)		2,249	4,768	(8,170)	(3,373)	3,557	3,557	3,557	12,569	2,917	13,395
Appropriations to Reserves											
Transfers from Reserves											
Depreciation offsets											
Other adjustments											
Accumulated Surplus/(Deficit)	1	646,491	657,129	643,720	631,086	631,046	631,046	631,046	643,615	646,532	659,927
Reserves											
Housing Development Fund		1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095
Capital replacement											
Self-insurance											
Other reserves											
Revaluation											
Total Reserves	2	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095
TOTAL COMMUNITY WEALTH/EQUITY	2	647,586	658,224	644,815	632,181	632,141	632,141	632,141	644,710	647,627	661,022

2.14 Municipal manager's quality certificate

I, Mr E.H Dladla, Acting Municipal Manager of Umtshezi Municipality, hereby certify that the draft annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the draft annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal manager of Umtshezi Municipality (KZN234)

Signature _____

Date _____